GRUPO EZENTIS, S.A.

Annual Accounts
and related Management Report
for the year ending 31 December 2021

GRUPO EZENTIS, S.A.

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GRUPO EZENTIS, S.A.

BALANCE SHEET AS AT 31 DECEMBER 2021
(In thousands of euros)

ACTIVE	Note	31.12.2021	31.12.2020
NON-CURRENT ASSETS		**97.859**	**70.784**
Intangible assets	6	**3.003**	**2.648**
Tangible fixed assets	7	**23**	**26**
Long-term investments in Group and associated companies		**89.569**	**38.141**
Equity instruments	8	38.141	38.141
Loans to Group and associated companies	5 & 9	51.428	-
Long-term financial investments		**15**	**9.430**
Other financial assets	8	15	9.430
Deferred tax asset	14	**5.249**	**20.539**
CURRENT ASSETS		**10.597**	**73.515**
Trade and other receivables		**744**	**-**
Public Treasury debtor	14	744	-
Short-term investments in group and associated companies		**-**	**72.529**
Loans to Group and associated companies	5 & 9	-	72.529
Short-term accruals		**-**	**223**
Short-term financial investments	16	**9.558**	**-**
Cash and cash equivalents	5 & 10	**295**	**763**
TOTAL ASSETS		**108.456**	**144.299**

The notes to the financial statements and Appendices I and II are an integral part of these annual accounts.

GRUPO EZENTIS, S.A.
BALANCE SHEET AS AT 31 DECEMBER 2021
(In thousands of euros)

EQUITY AND LIABILITIES	Note	31.12.2021	31.12.2020
NET EQUITY	11	**95.753**	**127.710**
Equity		**95.753**	**127.710**
Capital		139.092	99.352
Share premium		58.485	58.485
Reservations		(1.605)	(1.532)
Own shares and equity investments		(3)	(168)
Negative results of previous years		(28.427)	(27.143)
Losses for the year	3	(71.789)	(1.284)
NON-CURRENT LIABILITIES		**7.904**	**613**
Long-term provisions	12	**-**	**613**
Long-term debt with Group and associated companies	5 & 9	**7.904**	**-**
CURRENT LIABILITIES		**4.799**	**15.976**
Short-term provisions	12	**5**	**9**
Short-term payables to Group and associated companies	5 & 9	**-**	**13.962**
Trade and other payables		**4.794**	**2.005**
Suppliers	13	4.317	1.596
Remunerations to be paid	13	382	209
Other debts to public administrations	13 & 14	95	200
TOTAL EQUITY AND LIABILITIES		**108.456**	**144.299**

The notes to the financial statements and Appendices I and II are an integral part of these annual accounts.

GRUPO EZENTIS, S.A.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021 (In thousands of euro)

	Note	31.12.2021	31.12.2020 Restated (*)
Net turnover	9 & 17a	**8.736**	**8.796**
Work carried out by the company for its assets	6	**614**	**880**
Other operating income		**331**	**329**
Ancillary and other current revenues		331	329
Staff costs	17b	**(4.953)**	**(4.837)**
Wages, salaries and similar		(4.547)	(4.446)
Social charges		(406)	(391)
Other operating expenses		**(6.704)**	**(4.307)**
External services	17d	(6.653)	(4.283)
Tributes	17d	(51)	(24)
Depreciation and impairment of fixed assets	6 & 7	**(689)**	**(10)**
Impairment losses and changes in provisions	17f	**(53.653)**	**(3.176)**
Other results		**(536)**	**(40)**
OPERATING INCOME		**(56.854)**	**(2.365)**
Financial income	17e	436	327
Financial expenses		(208)	(91)
Net exchange differences		(2)	198
FINANCIAL RESULT		**(227)**	**434**
PROFIT BEFORE TAX		**(56.627)**	**(1.931)**
Taxation of profits	14	(15.162)	647
RESULT FOR THE YEAR	3	**(71.789)**	**(1.284)**

(*) Restated data, see details in note 4.k.

The notes to the financial statements and Appendices I and II are an integral part of these annual accounts.

GRUPO EZENTIS, S.A.

STATEMENT OF INCOME AND EXPENSE RECOGNISED IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

A) Other comprehensive income for the financial year 2021
(In thousands of euros)

	31.12.2021	31.12.2020
Profit and loss account result (Note 3)	**(71.789)**	**(1.284)**
Income and expenses recognised directly in equity	**-**	**-**
Transfers to the profit and loss account	**-**	**-**
TOTAL OTHER COMPREHENSIVE INCOME	**(71.789)**	**(1.284)**

The notes to the financial statements and Appendices I and II are an integral part of these annual accounts.

GRUPO EZENTIS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

B) Statement of Changes in Total Equity for the year ended 31 December 2021
(In thousands of euros)

							Euros
	Capital Subscribed (Note 11)	Premium for Broadcast (Note 11)	Reservations	Results of previous financial years Previous	Actions and shares in own assets (Note 11)	Result of the exercise (Note 3)	Total Heritage Net
Opening balance year 2021	**99.352**	**58.485**	**(1.532)**	**(27.143)**	**(168)**	**(1.284)**	**127.710**
Total recognised income and expenses	-	-	-	-	-	(71.789)	**(71.789)**
Capital increase/reduction	39.740	-	(353)	-		-	**39.387**
Treasury share transactions (Note 11.c)	-	-	14	-	165	-	**179**
Distribution of profit for the year	-	-	-	(1.284)	-	1.284	**-**
Other changes in equity	-	-	266	-	-	-	**266**
Total	**39.740**	**-**	**(73)**	**(1.284)**	**165**	**1.284**	**39.832**
Closing balance year 2021	**139.092**	**58.485**	**(1.605)**	**(28.427)**	**(3)**	**(71.789)**	**95.753**

The notes to the financial statements and Appendices I and II are an integral part of these annual accounts.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

B) Statement of total changes in equity for the year ended 31 December 2020
(In thousands of euros)

	Capital Subscribed (Note 11)	Premium for Broadcast (Note 11)	Reservations	Results of previous financial years Previous	Actions and shares in own assets (Note 11)	Result of the exercise (Note 3)	Euros Total Heritage Net
Opening balance year 2020	**99.352**	**58.485**	**(3.557)**	**(47.978)**	**(73)**	**23.150**	**129.379**
Total recognised income and expenses	-	-	-	-	-	(1.284)	**(1.284)**
Self-banked transactions (Note 11.c)	-	-	52	-	(95)	-	**(43)**
Distribution of profit for the year	-	-	2.315	20.835	-	(23.150)	**-**
Other changes in equity	-	-	(342)	-	-	-	**(342)**
Total	**-**	**-**	**2.025**	**20.835**	**(95)**	**(23.150)**	**(385)**
Closing balance year 2020	**99.352**	**58.485**	**(1.532)**	**(27.143)**	**(168)**	**(1.284)**	**127.710**

The notes to the financial statements and Appendices I and II are an integral part of these annual accounts.

GRUPO EZENTIS, S.A.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021
(In thousands of euros)

	Note	31.12.2021	31.12.2020
Cash flows from operating activities			
(A) CASH FLOWS FROM OPERATING ACTIVITIES		**(2.456)**	**(1.587)**
Profit before tax		**(56.627)**	**(1.931)**
Adjustments to results		**52.058**	**1.023**
Depreciation of fixed assets (+)	6 & 7	689	10
Financial income (-)		(2.415)	(2.470)
Financial charges (+)		208	91
Change in fair value of financial instruments		53.574	220
Exchange rate differences		2	-
Other income and expenses		-	3.172
Changes in working capital		**2.113**	**(679)**
Debtors and other receivables (+/-)			145
Other current assets (+/-).	8	(744)	(73)
Accounts payable and other payables (+/-)	13	2.857	(751)
(B) CASH FLOWS FROM INVESTING ACTIVITIES		**(31.578)**	**3.093**
Investment payments (-)		**(31.871)**	**(1.281)**
Group Companies		(30.830)	-
Tangible and intangible fixed assets	6 & 7	(1.041)	(958)
Other financial assets		-	(323)
Proceeds from divestments (+)		**293**	**4.374**
Group companies, associates and business units		293	4.374
(C) CASH FLOWS FROM FINANCING ACTIVITIES		**33.566**	**(1.329)**
Proceeds and payments for equity instruments	**11**	**39.832**	**(43)**
Issuance of equity instruments (+)		39.741	-
Disposal/acquisition of own equity instruments (+/-)		91	(43)
Proceeds and payments for financial liability instruments		**(6.266)**	**(1.286)**
Broadcast			
Payable to Group and associated companies	9	-	-
Repayment and amortisation of			
Payable to Group and associated companies		(6.266)	(1.286)
(D) EFFECT OF EXCHANGE RATE CHANGES		**-**	**-**
(E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS		**(468)**	**177**
Cash or cash equivalents at beginning of year	**10**	**763**	**586**
Cash or cash equivalents at end of year	**10**	**295**	**763**

The notes to the financial statements and Appendices I and II are an integral part of these annual accounts.

General information

Incorporation of the Company, corporate purpose and structure

Ezentis Group, S.A. (hereinafter, the Company) was incorporated in 1959.

The registered office of the Company is located at Calle Automoción No. 26-28, Polígono Industrial Calonge, 41007 Seville, Spain. The Company is registered in the Mercantile Register of Seville with the said address as of 20 November 2019.

The objects of the Company are as follows:

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

2. The execution and maintenance of electrical installations in general, in high, low and medium voltage, electronic installations, electrification installations, 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.

Grupo Ezentis, S.A. is the parent company of Grupo Ezentis, S.A. and subsidiaries (hereinafter the Group), and its activity corresponds to corporate services and the holding of investments.

Details of the subsidiaries of Grupo Ezentis, S.A. at 31 December 2021 are shown in Appendices I and II.

At the date of authorisation for issue of these financial statements, all the shares of Grupo Ezentis, S.A. were listed on the Madrid and Bilbao stock exchanges. were listed on the Madrid and Bilbao stock exchanges.

Basis of presentation

a) True and fair view

The annual accounts for 2021 have been prepared on the basis of the Company's accounting records and are presented in accordance with current mercantile legislation and the standards established in the Spanish National Chart of Accounts, in order to present a true and fair view of the Company's equity, financial position at 31 December 2021, the Company's results and the cash flows included in the cash flow statement for the year then ended. These financial statements have been prepared by the Directors of the Company at a meeting of its Board of Directors held on 25 March 2022.

These annual accounts, which have been prepared by the directors of the Company, will be submitted for approval by the shareholders at the Annual General Meeting, and it is expected that they will be approved without modification.

The accounting criteria used in the preparation of the annual accounts are those contemplated in the regulatory financial reporting framework applicable to the Company; in particular, those contained in the General Accounting Plan in force, approved by Royal Decree 1514/2007 of 16 November 2007 and the amendments made thereto by Royal Decree 1159/2010, RD 602/2016 and RD 1/2021, in order to give a true and fair view of the Company's equity, financial position and results, as well as the veracity of the cash flows included in the cash flow statement.

The figures in these annual accounts are expressed in thousands of euros, unless otherwise stated.

b) Effect of consolidation

The Company, as the head of the Group, presents consolidated financial statements. The consolidated annual accounts for 2021 have been prepared in accordance with Final Provision Eleven of Law 62/2003 of 30 December 2003, applying International Financial Reporting Standards approved by European Commission Regulations and Directives (EU-IFRS). The main aggregates in the consolidated financial statements of Grupo Ezentis, S.A. and subsidiaries for 2021 and 2020, prepared in accordance with EU-IFRS, are as follows:

	Thousands of Euros	
Consolidated figures	**31.12.2021**	**31.12.2020 Restated**
Total consolidated assets	197.008	326.587
Net Equity	(163.287)	(51.153)
Net turnover	361.405	367.202
Attributable profit for the year	(144.149)	(43.083)

The main differences between the consolidated equity and the Company's equity relate to translation differences of EUR 40.2 million (EUR 39.9 million in 2020) and the difference in accounting criteria in the valuation of assets between the individual financial statements of the investees and the consolidated financial statements of EUR 218.8 million (EUR 139 million in 2020).

c) Critical aspects of uncertainty assessment and estimation

The preparation of the financial statements requires the use by the Company's directors of certain estimates and judgements in relation to the future that are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In this regard, although the estimates made by the Company's directors have been calculated on the basis of the best information available at year-end, it is possible that future events may make it necessary to modify these estimates in coming years. The effect on the annual accounts of any changes arising from adjustments to be made in future years is recognised prospectively.

i. Impairment losses on equity investments in Group companies, associates and other related parties

Investments in Group companies are tested for impairment in accordance with the accounting policy described in Note 4d). An impairment loss is recognised for the excess of the asset's carrying amount over its recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use. These calculations require the use of estimates.

ii. Recoverability of deferred tax assets

The Company assesses the recoverability of tax credits on the basis of the estimated future taxable income calculated on the basis of the business plan of the tax group of which it is the head, and on the basis of periods considered to be reasonable (see Note 4.i and 14).

iii. Accounts receivable and financial assets

The Company makes estimates in relation to the collectability of balances due from customers in cases where there are disputes to be resolved or ongoing litigation arising from disagreements between the parties.

Iv. 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. Significant estimates are necessary to meet the requirements of the accounting standard. The Company's management makes estimates, assessing all relevant information and facts, of the probability of occurrence of contingencies and the amount of the liability to be settled in the future.

d) Relevant judgements in the application of accounting policies

As indicated in note 1, the Company's business activity includes the holding of investments. For this reason, and in accordance with the criteria established by the Spanish Accounting and Audit Institute (ICAC), the Company classifies dividend income received, where applicable, from investees under the heading Net Turnover in the Profit and Loss Account for the year.

e) Grouping of items

In order to facilitate understanding of the balance sheet and profit and loss account, statement of changes in equity and cash flow statement, these financial statements are grouped together and the required analyses are included in the relevant notes to these financial statements.

(f) Going concern

At 31 December 2021, the Company has recognised losses of Euros 71,789 thousand (losses of Euros 1,284 thousand in 2020), mainly due to the recognition of impairment of loans granted to group companies amounting to Euros 50,481 thousand (see note 8) and impairment of deferred tax assets amounting to Euros 15,291 thousand (see note 14).

The Company has positive working capital at 31 December 2021 amounting to EUR 5,798 thousand (31 December 2020: EUR 57,539 thousand).

The Ezentis Group is made up of international companies and Grupo Ezentis, S.A., as its parent company, organises and guides the business of all its subsidiaries, executing corporate decisions.

At 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 at 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 the consolidated financial statements). The Group has negative working capital of EUR 221,728 thousand (negative working capital in 2020 of EUR 60,938 thousand, restated).

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 connection with a syndicated financing agreement entered into by Corporación Ezentis Internacinoal, S.à.r.l. and an ICO-Covid loan entered into by Ezentis Field Factory, S.L., both of which are indirectly wholly owned by the Company, and the respective financial and non-financial obligations of the aforementioned agreements, on 31 December, 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 by 21 March 2022 for the twelve-month period ending on 28 February 2022.

Despite the aforementioned agreement and waiver, given that at 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, the consolidated annual accounts include, in accordance with international accounting standards (IAS 1), the entire financial debt related to this financing, amounting to Euros 116,976 thousand at 31 December 2021, under current liabilities. 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.

Note 15 of the consolidated annual accounts for the year 2021 details the debt maturity table 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.

As indicated in note 15, Grupo Ezentis, S.A. has pledged the company's shares in Corporacion Ezentis Holdco S.à.r.l. to financial institutions as security for compliance with the obligations deriving from the syndicated financing agreement signed by Corporación Ezentis Internacional, S.à.r.l. and the ICO-Covid loan signed by Ezentis Field Factory, S.L. mentioned above. This guarantee operates jointly and severally with other guarantees provided by other Group entities.

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 result for the year 2021 amounted to 38,125 thousand euros, mainly due to impairment of goodwill and intangible assets (21,581 thousand euros), cancellation of tax credits (4,358 thousand euros) and impairment of current assets (inventories and others) amounting to 12,185 thousand euros. 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 Organisation 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 led to non-recurring expenses of Euros 918 thousand in the year (Euros 3,663 thousand in 2020) arising from the temporary redundancy plans and labour 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 demobilisation 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 to the* consolidated annual accounts for 2021, 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 at 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 fibre 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 at 31 December 2021 amounted to EUR 470,288 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 of activity 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 in order to reach an agreement to refinance the structural debt and with its main customers in order to reach agreements that will allow 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 made significant progress and commitments on key issues for the relaunch of the Transformation Plan, 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) the option for Ezentis 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 favourable to both parties, which would allow 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 formalisation of agreement with financial creditors to refinance the Group's structural debt; (ii) the formalisation of agreements with customers that ensure stability and volume of business in the future, (iii) the materialisation of commercial agreements with the main investor and; (iv) the consolidation of the positive impacts associated with the measures being implemented under the aforementioned Transformation Plan. The Group is taking all the necessary measures and actions to enable it to meet all the aforementioned milestones, and the directors have therefore considered it appropriate to prepare these consolidated financial statements on a going concern basis.

g) Non-obligatory accounting principles

The Company does not apply accounting principles other than those required by the financial reporting framework applicable to the Company.

h) Comparison of information

The annual accounts present for comparative purposes, in each of the items of the balance sheet, the profit and loss account, the statement of changes in equity, the cash flow statement and the notes to the financial statements, in addition to the figures for the financial year 2021, the figures for the previous year, which formed part of the annual accounts for the financial year 2020, approved by the General Meeting of Shareholders on 13 May 2021.

The annual accounts for 2021 are the first accounts that the Company prepares applying the amendments approved by Royal Decree 1/2021 of 12 January, which amends the General Accounting Plan approved by Royal Decree 1514/2007 of 16 November, the General Accounting Plan for Small and Medium-sized Companies approved by Royal Decree 1515/2007 of 16 November, the Rules for the Preparation of Consolidated Annual Accounts approved by Royal Decree 1159/2010 of 17 September. Likewise, on 13 February 2021, the Resolution of 10 February 2021 of the Spanish Accounting and Auditing Institute was published, issuing rules for the recording, valuation and preparation of the annual accounts for the recognition of income from the delivery of goods and the provision of services.

The changes to the standards focus on the criteria for recognition, measurement and disclosure of revenue from the delivery of goods and services, financial instruments, hedge accounting, valuation of inventories of commodities traded by commodity dealers and the definition of fair value.

The impacts on the Company resulting from the adoption of Royal Decree 1/2021 are as follows:

Financial Instruments

In relation to financial assets and liabilities, new criteria are introduced for their classification, measurement and derecognition and new rules for hedge accounting. In the first application of this standard on 1 January 2021, the Company has opted for the practical solution of not restating the comparative information for the year 2020, opting for prospective application for hedge accounting and classification of financial instruments, as there are no significant impacts. The option is taken to change the classification of assets and liabilities for 2020 without affecting their valuation. The Company's directors have considered that these changes have no significant impact on the Company's annual accounts, applying the new standards prospectively in any case. The Company has not had any adjustment to the carrying amount of financial assets and liabilities in reserves as at 1 January 2021.Classification of financial assets. The Company has not recorded any impact derived from the adoption of Royal Decree 1/2021 with regard to the classification and valuation of financial assets and financial liabilities.

Revenue recognition

The standard establishes a new revenue recognition model for contracts with customers, where revenue should be recognised on the basis of the fulfilment of performance obligations to customers. Revenue represents the transfer of committed goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

In addition, it is established that an asset (or inventories) will be recognised for the costs of fulfilling a contract with a customer, and an accrual of the expense for the incremental costs of obtaining a contract with a customer, in both cases if they are expected to be recovered. The Company has chosen the practical expedient of applying the new standard for new contracts as of 1 January 2021 as the first-time application method as of 1 January 2021. Following the Company's analysis, no significant impacts on revenue recognition have arisen.

However, as a result of the Resolution of 10 February 2021 of the Spanish Accounting and Audit Institute (Instituto de Contabilidad y Auditoría de Cuentas), which lays down rules for recording and valuation and the preparation of the annual accounts for the recognition of income from the delivery of goods and services, the company has classified financial income from loans granted to Group companies as part of net sales. In this regard, it has restated the comparative figures for 2020 by reclassifying an amount of 2,143 thousand euros from Finance income to Revenue in the income statement for 2020.

i) Functional and presentation currency

The Company's annual accounts are presented in thousands of euros, which is the Company's functional and presentation currency.

3. Loss application

The proposed distribution of profit for the year 2021 formulated by the Directors of the Company, as well as that approved in 2020, is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Profit for the year (loss)	(71.789)	(1.284)
Result for the year	**(71.789)**	**(1.284)**

There have been no dividend distributions in the last 5 years.

The reserves, as well as the profit or loss for the year, are not subject to distribution limitations, except for the restrictions set out in Note 11.

Accounting criteria

The principal valuation standards used by the Company in preparing the financial statements for 2021, in accordance with the regulatory financial reporting framework applicable to the Company, were as follows:

a) Intangible assets

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 estimated useful life of maximum 5 years.

Costs related to software maintenance are recognised as an expense when incurred. Costs directly related to the production of unique and identifiable software controlled by the Company 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.

b) Tangible fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses recognised.

The costs of expansion, modernisation or improvement of property, plant and equipment are capitalised only when they lead to increased capacity, productivity or a lengthening of the useful life of the asset, provided that it is possible to know or estimate the carrying amount of the items that have been removed from the inventory because they have been replaced.

Major repair costs are capitalised and depreciated over their estimated useful lives. Upkeep and maintenance costs are charged to the profit and loss account in the year in which they are incurred.

The Company depreciates its property, plant and equipment on a straight-line basis, distributing the cost of the assets over the years of estimated useful life as follows:

	Years of Estimated Useful Life
Other fixtures, fittings and furnishings	4 a 10
Information processing equipment	4 a 5
Other fixed assets	5

Retirements and disposals are accounted for by removing the cost of the item and the related accumulated depreciation and impairment, if any.

Tangible assets acquired under finance leases are recorded in the tangible fixed asset category to which the leased asset belongs and are depreciated over their expected useful lives using the same method as for owned assets, i.e. the shorter of the lease term and the useful life.

The charge to the profit and loss account for the year 2021 for depreciation of property, plant and equipment amounted to EUR 6 thousand (EUR 7 thousand in the year 2020).

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 from the sale with their carrying amount and are recognised in the profit and loss account as profit or loss as appropriate.

c) Impairment losses on non-financial assets

The Company has no intangible assets with indefinite useful lives on its balance sheet.

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is measured to determine the extent of the impairment loss (if any). If the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

d) Financial Instruments

Recognition and classification of financial instruments

The Company classifies financial instruments 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.

The Company recognises a financial instrument when it becomes a party to the contract or legal transaction in accordance with the provisions of the contract or legal transaction, either as the issuer or as the holder or acquirer of the instrument. The Company recognises debt instruments from the date on which the legal right to receive, or the legal obligation to pay, cash arises.

The Company recognises financial derivatives, including forward contracts, from the date they are entered into, except for those derivatives that prevent the Company from derecognising the transferred financial assets, which are recognised in accordance with the provisions of this section.

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

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

- It is originated, acquired, issued or assumed principally for the purpose of selling or repurchasing it in the short term;

- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actions to realise gains in the near term;

- It is a derivative financial instrument, provided that it is neither a financial guarantee contract nor designated as a hedging instrument; or

- It is an obligation of the Company in a short position to deliver financial assets that have been lent to it.

The Company classifies a financial asset at amortised cost, even when it is held for trading, if it is held under a business model whose objective is to hold the investment to receive cash flows from the performance of the contract 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 Company classifies a financial asset at fair value through equity if it is held within 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 Company'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 Company's business model represents how the Company 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 Company manages the assets held in the portfolio to receive those particular contractual cash flows. In determining whether cash flows are earned through the receipt of contractual cash flows from financial assets, the Company 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 Company's stated objective for the management of financial assets and, more specifically, how cash flows are achieved. The Company considers information about past sales in the context of the reasons for these sales and the conditions that existed at that time compared to those that exist today. For these purposes, the Company considers that trade debtors and receivables that are to be assigned to third parties and will not be derecognised are retained in this business model.

Although the objective of the Company's business model is to hold financial assets to receive contractual cash flows, this does not mean that the Company holds all instruments to maturity. Therefore, the Company'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 Company 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 but frequent, or infrequent but significant.

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 Company's needs change. In this type of business model, the Company's key management personnel have decided that both contractual cash flows and the sale of financial assets are essential to meet this objective. Compared to the previous business model, in this business model the Company 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.

Notwithstanding the above, on initial recognition, the Company designates equity instruments that are not held for trading and are not required to be measured at cost as measured at fair value through equity.

In any case, the Company classifies the following financial assets at cost:

a. Investments in the equity of group companies, jointly controlled entities and associates.
b. Investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical instrument, or cannot be reliably estimated, and derivatives that have these investments as their underlying.
c. Contributions made as a result of a joint account contract and the like.

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 Company designates a financial liability at initial recognition at fair value through profit or loss if doing so eliminates or significantly reduces any accounting inconsistency or mismatch in measurement or recognition that would otherwise arise, if the measurement of the assets or liabilities or the recognition of the results of the measurement or recognition of the results of the measurement or recognition of the assets or liabilities would otherwise be 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 that basis to key management personnel of the Company.

The Company 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.

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.

Financial assets at fair value through equity

Financial assets at fair value through equity 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 recognised income and expense in equity, except for impairment losses and foreign exchange gains and losses on debt instruments. Amounts recognised in equity are recognised in profit or loss when the financial assets are derecognised and, where applicable, for impairment losses.

Financial assets and liabilities at fair value through profit or loss

The Company recognises financial assets and liabilities at fair value through profit or loss initially 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 Company determines the fair value of the instrument. If the Company 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 obtained 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 Company 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.

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.

Financial assets and liabilities measured at cost

Investments in equity instruments whose fair value cannot be reliably estimated and derivative instruments that are linked to them and that must be settled by delivery of such unquoted equity instruments are measured at cost. However, if a reliable measure of the financial asset or liability is available to the Company at any time on an ongoing basis, they are recognised at fair value at that time, with gains or losses recognised based on the classification of the asset or liability.

The Company measures investments included in this category at cost, which is the fair value of the consideration given or received, plus or minus directly attributable transaction costs, less any accumulated impairment losses.

Investments in group, associated and multi-group companies
Group companies are considered to be those over which the Company, directly or indirectly, through subsidiaries, exercises control, in accordance with article 42 of the Commercial Code, or when the companies are controlled by any means by one or more natural or legal persons acting jointly or are under the sole management of a single company by virtue of agreements or clauses in the articles of association.

Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities, including potential voting rights exercisable or convertible at the end of the accounting year held by the Company or third parties.

Associates are companies over which the Company, directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to intervene in the financial and operating policy decisions of a company, without the existence of control or joint control over the company. In assessing the existence of significant influence, the potential voting rights exercisable or convertible at the end of each financial year are considered, also taking into account the potential voting rights held by the Company or by another company.

Multigroup companies are considered to be those that are jointly managed by the Company or one or more of the companies in the group, including the controlling entities or individuals, and one or more third parties outside the group.

Investments in Group companies, associates and jointly controlled entities are initially recognised at cost, which is the fair value of the consideration given, including transaction costs incurred for investments in associates and jointly controlled entities, and are subsequently measured at cost, less any accumulated impairment losses. However, for acquisitions of investments in group companies that would not qualify as a business combination, transaction costs are also included in the acquisition cost of the investments. Investments in group companies acquired prior to 1 January 2010 include transaction costs incurred in the acquisition cost.

The amount of additional consideration, the payment of which is contingent on future events or the fulfilment of certain conditions, is recognised at fair value at the acquisition date.

Contingent consideration is classified according to the underlying contractual terms as a financial liability, equity instrument or provision.

Reclassifications of financial instruments

The Company reclassifies financial assets when it changes the business model for their management or when it meets or ceases to meet the criteria for classification as an investment in group companies, jointly controlled entities or associates or the fair value of an investment ceases or becomes unreliable, except for equity instruments classified at fair value through equity, which cannot be reclassified. The Company does not reclassify financial liabilities.

If the Company 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 Company does not recognise interest separately from the financial asset.

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

If the Company reclassifies a financial asset from amortised cost to fair value through equity, it recognises the difference between the fair value and the carrying amount in equity. The effective interest rate and the recognition of impairment losses are not adjusted for the reclassification. However, the cumulative amount of impairment losses is recognised in equity and disclosed in the notes.

If the Company reclassifies a financial asset from fair value through equity 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 impairment losses are not adjusted for the reclassification. However, the Company recognises at that time a cumulative impairment loss separately from the gross amount of the financial asset.

If the Company reclassifies a financial asset from fair value through profit or loss to fair value through equity, the effective interest rate and impairment losses are determined at the date of reclassification at the fair value at that time. Equity instruments cannot be reclassified.

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

Interest and dividends

The Company recognises interest and dividends on financial assets accrued after acquisition as income in the income statement. The Company recognises interest on financial assets measured at amortised cost using the effective interest method and dividends when the Company's right to receive them is declared.

If the dividends distributed unequivocally derive from profits generated prior to the acquisition date because amounts in excess of the profits generated by the investee or any investee company since the acquisition have been distributed, they reduce the carrying amount of the investment. This criterion is applied independently of the valuation criterion for equity instruments, so that for equity instruments measured at fair value, the value of the investment is also reduced and the subsequent increase in value is recognised in the profit and loss account or in equity, depending on the classification of the instruments.

Disposals of financial assets

The Company 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 Company has substantially transferred the risks and rewards of ownership. Also, financial assets are derecognised in circumstances where the Company 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 upon prior collection;
- The Company may not sell or pledge the financial asset; and

Cash flows collected on behalf of potential recipients are remitted without material delay and the Company is not able to reinvest the cash flows. Investments in cash or cash equivalents made by the Company during the settlement period between the date of receipt 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, is recognised in profit or loss. Deferred amounts are also reclassified, where appropriate, from equity to profit or loss.

Impairment of financial assets

A financial asset or group of financial assets is impaired and an impairment loss has been incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company recognises impairment losses on financial assets at amortised cost when there has been a reduction or delay in the estimated future cash flows due to the debtor's insolvency.

Likewise, in the case of equity instruments, impairment exists when the carrying amount of the asset is no longer recoverable due to a prolonged or significant decline in its fair value.

In any case, the Company considers that financial assets measured at fair value with changes in equity have suffered an impairment loss after a fall of one and a half years or forty per cent in their market price, without any recovery of their value.

However, in those cases where there is a decline in the fair value of such instruments with a subsequent recovery of the instruments above the quoted reference price, the year and a half shall start to run from the date on which, after such recovery, the quoted price starts to decline again in a prolonged manner, unless the recovery of the fair value was an isolated and insignificant event, in which case the year and a half shall run from the first decline. The same criterion is applicable to assessing whether there has been a decline in the quoted price of forty per cent. For these purposes, the reference listed price is understood to be the initial valuation of the asset, or the weighted average value by homogeneous groups, in the event that there have been several acquisitions.

-Impairment of *investments in group, associated and jointly controlled entities and equity instruments measured at cost*

Impairment is calculated by comparing the carrying amount of the investment with its recoverable amount, understood as the higher of the present value of future cash flows from the investment and the fair value less costs to sell. Unless there is better evidence of the recoverable amount, the equity of the investee is taken into consideration, adjusted for any unrealised gains existing at the measurement date (including goodwill, if any).

In this regard, the present value of future cash flows from the investment is calculated on the basis of the Company's share of the present value of the estimated cash flows from ordinary activities and from the final disposal or the estimated cash flows expected to be received from the distribution of dividends and from the final disposal of the investment.

Reversals of impairment are recognised in subsequent periods, to the extent of any increase in recoverable amount, up to the limit of the carrying amount that the investment would have had if no impairment had been recognised.

Disposals and changes in financial liabilities

The Company 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 Company 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 Company 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.

e) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

f) 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, as well as short-term investments with a maturity of more than three months that are not subject to restrictions or penalties on 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 these amounts are expected to be freely available within three months from year-end; if they do not meet this condition, they are presented as other current or non-current assets depending on the period of free disposal (Note 10).

g) Net assets

The share capital is represented by ordinary shares.

The costs of issuing new shares or options are shown directly in equity as a reduction in reserves.

In the case of the acquisition of the Company's own shares, the consideration paid, including any attributable incremental costs, is deducted from equity until cancellation, reissue or disposal. When these shares are subsequently sold or reissued, any amount received, net of any directly attributable incremental transaction costs, is included in equity.

Capital increases related to non-cash contributions by offsetting financial liabilities are recorded at fair value at the date of the capital increase agreement. The difference is recognised as an expense or income for the year.

Capital increases related to non-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.

The basic and diluted loss per share for the financial year 2021 was EUR -0.171.

h) Compound financial instruments

As at 31 December 2021 and 2020, there are no compound financial instruments.

i) Taxation of profits

The Company files consolidated tax returns with other investees for corporate income tax purposes, acting as the head of the Ezentis, S.A. consolidated tax group.

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., 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..

In 2020, the following Group companies formed 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. (formerly known as Naverggi, S.A.U.), Avánzit Instalaciones e Ingeniería, S.L.U., Electrificaciones Ferroviarias Catenaria, S.A.U., Avánzit I+D+I, S.L.U., Ezentis Internacional, S.L.U., Ezentis Chile, S.L.U., Ezentis Brasil Telecom, S.L.U., Ezentis Brasil Instalaciones, S.L.U., Calatel Spain, S.L.U., Ezentis Pacífico, S.L.U. (formerly Calatel Andalucía, S.L.U.), Ezentis Gestión de Redes, S.L.U., Networks Test, S.L.U. and Ezentis Field Factory, S.L. (formerly Excellence Field Factory, S.L.). (formerly Excellence Field Factory, S.L.).

Current tax is the amount payable by the Company as a result of income tax assessments for a given year. Deductions and other tax benefits, excluding withholdings and prepayments, as well as tax losses and deductions carried forward from previous years and effectively applied in the current year, result in a lower amount of current tax.

Deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences which are identified as amounts expected to be payable or recoverable arising from differences between the carrying amounts of assets and liabilities and their tax bases, as well as tax loss carryforwards and tax credit carryforwards. These amounts are recognised by applying to the corresponding temporary difference or credit the tax rate at which they are expected to be recovered or settled.

Current or deferred income tax is recognised in profit or loss, unless it arises from a transaction or economic event that is recognised in the same or a different period, against equity or from a business combination.

The Company files consolidated tax returns with other Group companies (see note 14).

The accrued corporate income tax expense of companies filing consolidated tax returns is determined taking into account, in addition to the parameters to be considered in the case of individual taxation set out above, the following parameters:

-Temporary and permanent differences arising as a result of the elimination of intercompany profits and losses arising in the process of determining the consolidated tax base.

The deductions and allowances that correspond to each company in the tax group under the consolidated tax return system; for these purposes, the deductions and allowances shall be allocated to the company that carried out the activity or obtained the income necessary to obtain the right to the tax deduction or allowance.

Temporary differences arising from eliminations of results between companies in the tax group are recognised in the company generating the result and are measured at the tax rate applicable to that company.

For the part of the tax losses of certain Group companies that have been offset by the other companies in the consolidated Group, a reciprocal credit and debit arises between the companies to which they relate and the companies offsetting them. In the event that there is a tax loss that cannot be offset by the other companies in the tax group, these tax credits for offsettable losses are recognised as deferred tax assets, with the tax group being considered as the taxpayer for their recovery.

The Parent Company of the tax group records the total amount payable (refundable) for consolidated corporate income tax with a charge (credit) to Receivables (Payables) to Group companies and associates.

The amount of debt (receivable) relating to subsidiaries is credited (debited) to Payables (receivables) to Group and associated companies.

Deferred tax liabilities are recognised for all taxable temporary differences, except those arising from the initial recognition of goodwill or other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit and is not a business combination.

Deferred tax assets are only recognised to the extent that it is considered probable that future taxable profit will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity accounts are also recognised with a balancing entry in equity.

Deferred tax assets are reassessed at each balance sheet date and adjusted if there are doubts as to their future recoverability. In addition, off-balance sheet deferred tax assets are assessed at each balance sheet date and are recognised to the extent that it becomes probable that they will be recoverable against future taxable profit.
In the absence of evidence to the contrary, it is not considered probable that future taxable profits will be available to the Company when their future recovery is expected to take place more than ten years from the reporting date, irrespective of the nature of the deferred tax asset, or in the case of credits arising from tax credits and other tax benefits not yet available for tax purposes due to insufficient taxable profit, when the activity has been carried out or the income has been obtained that gives rise to the right to the tax credit or tax relief and there are reasonable doubts as to whether the requirements to claim the tax credit or tax relief have been met.

The Company only recognises deferred tax assets arising from tax loss carryforwards to the extent that it is probable that future taxable profits will be available against which they can be utilised within a period not exceeding that established by the applicable tax legislation, subject to a maximum limit of ten years.

Income tax expense (income) is the amount of income tax expense (income) accrued in the year, comprising both current and deferred tax expense (income).

Both current and deferred tax expense (income) is recognised in the income statement. However, the tax effect related to items that are recognised directly in equity is recognised in equity.

Current tax assets and liabilities are measured at the amounts expected to be paid to or recovered from the taxation authorities in accordance with tax laws and regulations in force or enacted and pending publication at the reporting date.

Deferred taxes are calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, if deferred taxes arise 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 the accounting profit nor the tax base, they are not recognised. Deferred tax is determined by applying tax laws and rates 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.

Under the recognition and measurement rules of current accounting legislation, the conditions for recognising deferred tax assets are that they are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised over a period of ten years.

j) Provisions and contingent liabilities

In preparing the annual accounts, the Company's directors distinguish between:

i. **Provisions:** credit balances that cover present obligations at the balance sheet date arising from past events that it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects assessments of the current market, the time value of money and the risks specific to the obligation. Adjustments to the provision on restatement are recognised as a finance cost as they accrue. Provisions maturing in one year or less with an insignificant financial effect are not discounted.

ii. **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 the entity. These contingent liabilities are not recognised in the accounts and are disclosed in the notes to the financial statements (note 16).

k) Classification of balances between 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.

At 31 December 2021, following the impairment analysis performed on investments, loans granted to Group companies (see note 8.1) and debts with Group companies, the Company has decided to classify loans receivable from Group companies and debts with Group companies as long term, as their cancellation is not expected to be possible in a period of less than 12 months.

l) Recognition of income and expenses

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 Company's business, less returns, rebates, discounts and value added tax.

The Company recognises revenue when the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the Company and the specific conditions for each of the activities as detailed below are met. The amount of revenue is not considered to be reliably measurable until all contingencies related to the sale have been resolved. The Company bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specific terms of each agreement.

1) Provision of services

These mainly consist of brand licensing services and general corporate services provided by the Company to its subsidiaries such as management and administrative assistance, marketing, IT, legal and tax services.

2) Interest income

Interest income is recognised using the effective interest rate method.

Interest income on impaired loans is recognised using the effective interest method.

3) Dividend income

Dividend income is recognised as income in the profit and loss account when the right to receive payment is established. However, if the dividends distributed arise from earnings generated prior to the date of acquisition, they are not recognised as income and reduce the carrying amount of the investment.

m) Leases

Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Other leases are classified as operating leases.

1) Financial leases

(In thousands of euros)

Financial leasing transactions are therefore considered to be those in which the risks and rewards associated with the leased asset are transferred to the lessee, who usually has the option to acquire it at the end of the contract under the terms agreed at the time the transaction is entered into.

Financial income and expenses arising from these contracts are credited and charged, respectively, to the profit and loss account so that the return remains constant over the life of the contracts.

2) Operating leases

In operating leases, ownership of the leased asset and substantially all the risks and rewards incidental to ownership remain with the lessor.

The expenses incurred by the Company for operating leases during the financial year 2021 amount to EUR 1,257 thousand (EUR 541 thousand in the financial year 2020). (note 17d).

The main leases of Grupo Ezentis, S.A. are for the offices located at calle Santa Leonor, nº 65 Edificio B, planta 2, derecha. 28037 Madrid and for licences for the use of computer applications.

The total amount of future minimum lease payments for non-cancellable operating leases as well as the amounts per instalment are as follows:

	Thousands of euros	
	31.12.2021	**31.12.2020**
A 1 year	180	173
From 1 to 5 years	-	-
More than 5 years	-	-
	180	**173**

n) Cash flow statements

In the cash flow statement, prepared according to 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 Company, as well as other activities that cannot be classified as investment or financing activities.

Investing activities: the acquisition, sale or disposal by other means and 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.

o) Related party transactions

In general, transactions between Group companies are initially recognised at fair value. If the agreed price differs from the fair value, the difference is recognised on the basis of the economic reality of the transaction. Subsequent valuation is carried out in accordance with the relevant standards. In the opinion of the directors, related party transactions are carried out at market prices.

However, in the case of mergers, spin-offs or non-monetary contributions of a business, the Company applies the following criteria:

- In transactions between Group companies involving the Group company or a subgroup company and its subsidiary, either directly or indirectly, the items comprising the acquired business are valued at the amount corresponding to them in the consolidated annual accounts of the group or subgroup once the transaction has been carried out.

- In the case of transactions between other Group companies, the assets and liabilities of the business are valued at their book values in their individual annual accounts before the transaction.

The difference that could become apparent is recorded in reserves.

The Company considers as related parties its direct and indirect shareholders who exercise control over Group companies, associates and other related parties, as well as its directors and key management personnel and their related parties, respectively.

(p) Severance payments

In accordance with current labour regulations, the Company is obliged to pay severance payments to employees with whom, under certain conditions, it terminates their employment relationships.

The Company recognises these benefits when it has demonstrably undertaken to terminate the employment of current employees in accordance with a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

q) Profit-sharing and variable remuneration schemes

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 certain 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.

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 the gross remuneration has been paid by means of the delivery 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.

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 2021, this long-term incentive has been settled, which has resulted in an expense in the income statement amounting to Euros 441 thousand and an impact on equity amounting to Euros 266 thousand 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.

Financial risk management

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 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, analysed, evaluated, managed and controlled using uniform criteria.

According 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 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 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.

Grupo Ezentis, S.A. is exposed to various risks arising from its own businesses, as well as specific financial risks identified in the Integrated Risk Management System.

Financial risks are risks associated with financial markets, cash generation and cash management. They include those related to liquidity and cash management, access to financial and capital markets, credit risk, and exchange rate and interest rate movements.

5. 1Financial instruments

The main financial instruments held by the Company as at 31 December 2021 and 2020 are as follows (figures in thousands of euros):

	31.12.2021	31.12.2020
Financial asset instruments		
Long-term investments in Group and associated companies	38.141	38.141
Long-term financial investments	15	9.430
Loans to Group companies and associates long-term (Note 9)	51.428	-
Customers for the provision of services	-	-
Short-term financial investments	9.558	
Short-term loans to Group companies and associates (Note 9)	-	72.529
Cash and cash equivalents (Note 10)	295	763
	99.437	**120.863**

Liability financial instruments		
Long-term payables to Group companies and associates (Note 9)	7.904	-
Suppliers (Note 13)	4.317	1.596
Remunerations to be paid	382	209
Short-term payables to Group companies and associates (Note 9)	-	13.962
	12.603	**15.767**

The Finance Department, which is responsible for financial risk management, periodically reviews the financial debt ratio and the capital structure of the Company and its subsidiaries.

The analysis of financial instruments that are measured at fair value are classified by the different valuation levels, which have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1).
- Non-quoted price data included in Level 1 that are observable for the asset or liability, either directly (ie prices) or indirectly (ie derived from prices) (Level 2).
- Data for the asset or liability that are not based on observable market data (ie unobservable data) (Level 3).

During the financial years 2021 and 2020, the Company did not hold any exchange rate derivative contracts.

There are no level 3 financial instruments as at 31 December 2021 and 31 December 2020.

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 Company 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 are subject to fair value interest rate risk. Financial debts and other creditors are indexed to market interest rates.

As at 31 December 2021 and 2020 there are no bank borrowings.

The Company does not carry out current transactions in foreign currencies. It has not taken out any exchange rate insurance.

(In thousands of euros)

Credit risk

This occurs when the provision of services or the acceptance of orders from customers whose financial solvency was not guaranteed at the time of acceptance, or during the execution of the order, may give rise to a risk of collection of the amounts due.

The Company mitigates this risk through policies that ensure that projects are made to customers with an adequate credit history, for which the corresponding solvency analyses are established.

Furthermore, trade debt amounts are reflected in the balance sheet net of provisions for bad debts, estimated by the Company on the basis of the age of the debt and the experience of previous years, in accordance with the prior segregation of the customer portfolio and the current economic environment.

At 31 December 2021 and 2020 the Company has no significant concentration of credit risk with third parties as the main debtor balances relate to intercompany transactions within the Group.

Liquidity Risk

This risk is caused by timing mismatches between the resources generated by the activity and the required cash needs. To mitigate this risk, the Company 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 new financing needs.

At 31 December 2021, Grupo Ezentis S.A. has positive working capital of 5,798 thousand euro (57,539 thousand euro at year-end 2020).

At 31 December 2021, the Company's liquidity availability is EUR 295 thousand (31 December 2020: EUR 763 thousand) (see note 10).

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

Year of Maturity	**2022**	**2023**	**2024**	**2025**	**2026 and following**	**Total**
Suppliers and creditors	4.317	-	-	-	-	**4.317**
Remunerations to be paid	382	-	-	-	-	**382**
Long-term debt with Group and associated companies	-	7.904	-	-	-	**7.904**
	4.699	**7.904**	**-**	**-**	**-**	**12.603**

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

Year of Maturity	**Up to 3 months**	**Between 3 and 6 months**	**Between 6 and 12 months**	**Total 2021**
Suppliers and other creditors	3.223	1.094	-	**4.317**
Remunerations to be paid	382	-	-	**382**
	3.605	**1.094**	**-**	**4.699**

(In thousands of euros)

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

a) Cash and cash equivalents: EUR 295 thousand.
b) Short-term financial investments: 9,558 thousand euros.

5.2 Capital risk

The objectives of the Company and the Group with regard to capital management are to safeguard the capacity to manage projects and fulfil contracts and thus ensure the highest profitability for the Shareholders. The Company's strategy continues to focus on geographic diversification, development and expansion of its activity in Spain and other countries.

The cost of capital, as well as the risks associated with it in each investment project of the Group's subsidiaries, 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 Company monitors its capital, as well as that of its subsidiaries, 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 ratios and the ratio of capital employed to revenues at 31 December 2021 and 2020 are zero as the company has no "bank borrowings" or "other financial or similar liabilities".

Intangible assets

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

Financial year 2021

	Thousands of euros			
	Project Development	**Computer applications**	**Industrial property**	**Total**
Cost:				
Opening balances	-	2.651	-	2.651
Additions	-	1.038	-	1.038
Retreats	-	-	-	-
	-	3.689	-	3.689
Accumulated depreciation:				
Opening balances	-	(3)	-	(3)
Endowments	-	(683)	-	(683)
Retreats			-	
	-	(686)	-	(686)
Net intangible assets:				
Opening balances	**-**	**2.648**	**-**	**2.648**
Closing balances	**-**	**3.003**	**-**	**3.003**

(In thousands of euros)

Financial year 2020

	Thousands of euros			
	Project Development	**Computer applications**	**Industrial property**	**Total**
Cost:				
Opening balances	163	3.029	231	3.423
Additions	-	958	-	958
Retreats	(163)	(1.336)	(231)	(1.730)
	-	2.651	-	2.651
Accumulated depreciation:				
Opening balances	(163)	(1.336)	(231)	(1.730)
Endowments	-	(3)	-	(3)
Retreats	163	1.336	231	1.730
	-	(3)	-	(3)
Opening balances	**-**	**1.693**	**-**	**1.693**
Closing balances	**-**	**2.648**	**-**	**2.648**

During the financial years 2021 and 2020, several implementations of the corporate IT applications developed internally by the Group are in the process of being developed and went live in January 2021.

During the financial year 2021, work has been carried out by the company on its assets amounting to EUR 614 thousand (EUR 880 thousand in 2020).

At 31 December 2021 and 2020 there are no fully amortised intangible assets.
Fully amortised intangible assets of EUR 1,730 thousand were written off in 2020.

No provision has been made for impairment of these assets in 2021 and 2020.

At 31 December 2021 and 2020 the Company has no intangible assets located abroad.

7. Tangible fixed assets

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

Financial year 2021	Thousands of euros		
	Tools and furniture	**Data processing equipment and Other Fixed Assets**	**Total**
Cost:			
Opening balances			
Additions	-		
Retreats	(6)	-	(6)
	28	22	50
Accumulated depreciation:			
Opening balances	(16)	(11)	(27)
Endowments	(3)	(3)	(6)
Retreats			
	(13)	(14)	(27)
Opening balances	**18**	**8**	**26**
Closing balances	**15**	**8**	**23**

Thousands of euros

(In thousands of euros)

Financial year 2020

	Tools and furniture	Data processing equipment and Other Fixed Assets	Total
Cost:			
Opening balances	289	90	379
Additions	-	-	-
Retreats	(255)	(71)	(326)
	34	19	53
Accumulated depreciation:			
Opening balances	(266)	(80)	(346)
Endowments	(5)	(2)	(7)
Retreats	255	71	326
	(16)	(11)	(27)
Opening balances	**23**	**10**	**33**
Closing balances	**18**	**8**	**26**

During the year 2021, fully depreciated property, plant and equipment amounting to EUR 6 thousand were written off. As at 31 December 2021 and 2020 there are no fully depreciated property, plant and equipment in use.

During the year 2020, fully depreciated property, plant and equipment amounting to EUR 326 thousand were written off.

It is the policy of the Group companies to take out insurance policies to cover possible risks that could affect tangible fixed assets. In the opinion of the Company's directors, the current coverage is appropriate.

During the financial years 2021 and 2020, no impairment losses have been recognised or reversed for any property, plant and equipment.

At 31 December 2021 and 2020 the Company has no fixed assets located abroad.

8. Financial investments.

8.1.- Long-term investments in Group and associated companies

The movement during the financial years 2021 and 2020 in the various accounts under these balance sheet headings was as follows:

Information relating to the group's investees as at 31 December 2021 and 2020 is shown in Appendix I (Direct investees) and Appendix II (Indirect investees).

Financial year 2021

				Thousands of euros
	Balance Initial	Additions	Retreats	Balance Final
Holdings in Group companies and associates				
Holdings in Group companies and associates	38.141	-	-	38.141
	38.141	**-**	**-**	**38.141**
Long-term loans to Group companies and associates				
Loans to Group companies (Note 9)	9.144	-	-	9.144
Impairment (Note 9)	(9.144)	-	-	(9.144)
	-	**-**	**-**	**-**

(In thousands of euros)

Financial year 2020

	Thousands of euros			
	Balance Initial	Additions	Retreats	Balance Final
Shareholdings in Group and associated companies				
Shareholdings in Group and associated companies	38.141	-	-	38.141
	38.141	**-**	**-**	**38.141**
Long-term loans to Group companies and associates				
Loans to Group companies (Note 9)	9.144	-	-	9.144
Impairment (Note 9)	(9.144)	-	-	(9.144)
	-	**-**	**-**	**-**

a) Holdings in Group companies

There have been no movements during the financial years 2021 and 2020.

No dividends have been received from investees during the financial years 2021 and 2020.

None of the Group companies in which the Company has an interest are listed on the stock exchange.

Appendix I shows the amount of assets, liabilities, equity and profit or loss for the year of the subsidiaries of the Group in which the Company is the parent company.

b) Investments in associates

In the financial years 2021 and 2020 the company does not have any interests in associates.

c) Long-term loans to Group companies and associates

During the financial years 2021 and 2020 the Company has not recorded any movement.

d) Impairment losses

An impairment test has been performed on the Company's direct and indirect shareholdings in Group companies, as well as on short and long-term balances receivable from Group companies. The projections used to calculate the value in use are based on the 2022 budget approved by the Directors, the economic growth forecasts of the sector for each country and the long-term projections, considering a projection period up to 2026, made by each of the local managements of these countries.

The recoverable amount 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 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.

(In thousands of euros)

A discount rate of 11.3% has been considered, which corresponds to the weighted average of the discount rates applicable for each of the companies that make up the Group and contribute cash flows. The discount rates used for each of the countries in which the Group operates are as follows:

	Discount rate % Discount rate 2020
Germany	4,27%
Brazil	15,29%
Spain	9,28%
Colombia	13,40%

A residual growth rate of 2% has also been considered for the Group. In the case of the residual growth rates, both the expected long-term economic growth and inflation for each of the countries where each CGU is located have been considered.

As a result of this analysis, an impairment loss of Euros 50,481 thousand was recognised in full, affecting accounts receivable from Group companies. See notes 9 and 17.f.

Sensitivity testing has been performed in relation to the discount rate and the residual growth rate. The recoverable amounts resulting from this sensitivity test and the additional impairments that would be generated in each case are detailed below:

Thousands of euros	2021			
	Discount rate % Discount rate	Growth rate % Growth rate % Growth rate % Growth rate % Growth rate	Recoverable value	Additional impairment (reduction in impairment recorded)
	-	-1	65.138	16.132
Ezentis Group, S.A.		+1	101.305	(20.035)
	+1	-	58.716	22.553
	-1	-	109.332	(28.063)

The sensitivity analysis carried out in the year 2020 in relation to the discount rate and the residual growth rate did not lead to any changes in the conclusions drawn with respect to the valuation of the investments in 2020.

8.2.- Long-term financial investments

Financial year 2021

	Thousands of euros				
	Balance Initial	Additions	Transfers	Casualties	Balance Final
Long-term financial investments					
Other long-term loans	-	-	-		-
Long-term deposits and guarantees provided	9.430	326	(9.558)	(183)	15
	9.430	**326**	**(9.558)**	**(183)**	**15**

(In thousands of euros)

Financial year 2020

	Thousands of euros			
	Balance Initial	Additions	Retreats	Balance Final
Long-term financial investments				
Other long-term loans	-	-	-	-
Long-term deposits and guarantees provided	9.327	326	(223)	9.430
	9.327	**326**	**(223)**	**9.430**

Long-term financial investments

At 31 December 2021 the Company holds bonds, hedges and deposits amounting to Euros 15 thousand (Euros 9,430 thousand at 31 December 2020). The change corresponds to the reclassification to short term of deposits with courts to meet possible tax obligations of Vértice Trescientos Sesenta Grados, S.A. (Note 16).

As at 31 December 2021 and 2020 there are no balances held in current accounts with financial institutions, which are restricted by guaranteeing sureties or guarantees given to third parties with a maturity of more than 12 months.

(In thousands of euros)

9. Balances and transactions with related parties

Balances with Group companies

The main balances at 31 December 2021 and 2020 that the Company has with Group companies are as follows:

Financial year 2021

	Thousands of euros			
	Loans to non-current Group companies (Note 8)	**Loans to Group companies Current**	**Payable to Group companies Non-current**	**Current payables to Group companies**
Ezentis Tecnología, S.L.U.	559	-	(2.511)	-
Navento Technologies, S.L.U.	-	-	(710)	-
Ezentis International S.L.U.	574	-	-	-
Ezentis Pacífico, S.L.U.	3.402	-	(167)	-
Communications and Sound, S.L.	199	-	-	-
Ezentis Germany,S. l..	1.818	-	-	-
Ezentis Field Factory, S.L.	12.577	-	(218)	-
Network Test S.L.U.	821	-	-	-
Ezentis, Ingeniería de Seguridad, S.L..	470	-	(100)	-
GTS Thaumat XXI, S.A..	76	-	-	-
Ezentis Brasil, S.A.	8.372	-	(729)	-
Avanzit I + D + I, S.L.	112	-	-	-
Enesys Ingeniería de Seguridad, S.L.	106	-	-	-
Corporación Ezentis Holdco, S.à.r.l.	17.996	-	-	-
Ezentis International Corporation, S.à.r.l.	3.988	-	(3.469)	-
Ezentis Portugal, S.L.	358	-	-	-
Dormant companies	9.144	2.194	-	-
Inactive impairments	(9.144)	(2.194)	-	-
Total	**51.428**	**-**	**(7.904)**	**-**

The amount of these receivables is net of the impairment recognised in 2021 amounting to EUR 50,481 thousand (see note 8). The detail by company of the impairment losses recognised is as follows:

	Thousands of euros
Impairment Corporación Ezentis Internacional, S.à.r.l.	(33.637)
Deterioration Ezentis Pacifico, S.L.	(13.045)
Impairment Ezentis Corporation Holdco, S.à.r.l.	(2.706)
Deterioration Instal.Lacions Parera Redes Proyectos y Mantenimientos, S.L.U.	(530)
Deterioration Calatel Spain, S.L.	(479)
Impairment Ezentis Peru, S.A.	(48)
Impairment Ezentis Argentina, S.A.	(28)
Impairment UTE Atarfe	(8)
Total	**(50.481)**

An impairment test was performed on the Company's direct and indirect shareholdings in Group companies, as well as on short and long-term receivables from Group companies. As a result of this exercise, an impairment loss of Euros 50,481 thousand was recognised in full in respect of receivables from Group companies. (See notes 8.1.d and 17f).

(In thousands of euros)

The receivables from Corporación Ezentis Holdco S.àr.l. and Corporación Ezentis Internacional S.àr.l. correspond to cash assignments in the form of short-term, annually renewable loans bearing interest at market rates.

At 31 December 2021, following the impairment analysis performed on investments, loans granted to Group companies (see note 4k) and debts with Group companies, the Company has decided to classify loans receivable from Group companies and debts with Group companies as long-term, as their repayment is not expected to be possible in a period of less than 12 months.

Loans and receivables from Group companies bear interest at market rates.

<u>Financial year 2020</u>

	Thousands of euros			
	Loans to non-current Group companies (Note 8)	**Loans to Group companies Current**	**Payable to Group companies Non-current**	**Current payables to Group companies**
Ezentis Tecnología, S.L.U.	-	534	-	(4.369)
Navento Technologies, S.L.U.	-	290	-	(536)
Ezentis International S.L.U.	-	258	-	(754)
Ezentis Pacífico, S.L.U.	-	10	-	(3.555)
Avánzit Ena SGT, S.A.	-	-	-	(192)
Communications and Sound, S.L.	-	160	-	-
Ezentis Chile S.A.	-	1	-	-
Ezentis Field Factory, S.L.	-	3.043	-	(66)
Calatel Spain, S.L.U.	-	465	-	-
Network Test S.L.U.	-	1.093	-	(384)
Comunicaciones y Sonido México, S.A. de C.V.	-	713	-	-
GTS Thaumat XXI, S.A..	-	61	-	-
Ezentis Peru, S.A.C.	-	7	-	-
Ezentis Brasil, S.A.	-	9.918	-	(268)
Avanzit I + D + I, S.L.	-	112	-	-
Ingenieria Celular Panamericana S.A de C.V.	-	48	-	-
Corporación Ezentis Holdco, S.à.r.l.	-	20.078	-	-
Ezentis International Corporation, S.à.r.l.	-	35.551	-	(3.451)
Ezentis Colombia, S.A.	-	49	-	-
Ezentis Portugal, S.L.	-	138	-	-
Other	-	-	-	(387)
Dormant companies	9.144	2.194	-	-
Deteriorations	(9.144)	(2.194)	-	-
Total	**-**	**72.529**	**-**	**(13.962)**

The receivables from Corporación Ezentis Holdco S.àr.l. and Corporación Ezentis Internacional S.àr.l. correspond to cash assignments instrumented in the form of short-term, annually renewable loans bearing interest at market rates.

(In thousands of euros)

Loans and receivables from Group companies bear interest at market rates.

Transactions with Group companies

The Company provides services and management support to its Group companies. The purpose of these contracts is to provide the Company's subsidiaries with administration, control and advisory services, technical support for the IT system, human resources management, payroll management and accounting consultancy. They also include the provision of high value-added services and the assignment of the licence to use the Ezentis brand name.

In addition, the Group companies re-invoice each other for supplies (services rendered by a third party which are passed on to another company than the one invoiced by the third party), for operating leases of certain services and also for interest on their credit lines and short-term loans.

Revenues and expenses relating to billings made by the Company to Group companies or to the Company by Group companies in connection with services rendered (including other and financial services) by them are as follows:

Net turnover

	Thousands of euros	
Group and related companies:	**2021**	**2020**
Ezentis Tecnología, S.L.U.	59	49
Tecnet, S.A.	-	667
Comunicaciones y Sonido México, S.A. de C.V.	-	53
Enesys Ingeniería de Seguridad, S.L.	87	-
Ezentis Peru	8	96
Networks Test, S.L.U.	6	5
Network Colombia	(3)	33
Ezentis Chile	7	18
Ezentis Energia (Chile)	-	51
Ezentis Brazil	2.206	537
Ezentis Portugal	234	48
Ezentis International Corporation S.á.r.l.	1.461	1.557
Ezentis Holdco Corporation S.á.r.l.	518	634
Communications and Sound, S. L.	30	34
GTS Thaumat XXI, S.A.	13	14
Ezentis Field Factory, S.L.	1.547	5.000
Ezentis Pacifico, S.L.	1	-
Ezentis Germany, S.L.	1.818	-
Ezentis Ingeniería de Seguridad, S.L.	306	-
Instal.lacions Parera Redes, Proyectos y Mantenimiento, S.L.	438	-
	8.736	**8.796**

Other operating expenses

	Thousands of euros	
Group and related companies:	**2021**	**2020**
Ezentis Pacífico, S.L.U.	249	263
Ezentis Tecnología, S.L.U.	661	932
Ezentis Brasil, S.A.	2	106

(In thousands of euros)

Ezentis Field Factory, S. L.	28	10
Navento Technologies, S.L.U.	338	396
Networks Test, S.L.U.	2	3
Ezentis International Corporation, S.à.r.l.	150	-
	1.430	1.710

10. Cash and cash equivalents

As at 31 December 2021, the available amount of EUR 295 thousand included under "Cash and cash equivalents" is held in current accounts.

As at 31 December 2020, the available amount of EUR 763 thousand, included in "Cash and cash equivalents", is deposited in current accounts.

11. Net equity

a) Subscribed capital and share premium

During the financial year 2021 there have been 2 movements in the subscribed capital:

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.

(In thousands of euros)

	Thousands of euros		
			2021
	Number of shares	Nominal	Share premium
Opening balance at 31/12/2020	**331.172.000**	**99.352**	**58.485**
Capital increase	**66.234.400**	**19.870**	**-**
Conversion of bonds	**66.234.400**	**19.870**	**-**
Closing balance at 31/12/2021	**463.640.800**	**139.092**	**58.485**

At the date of authorisation for issue of these annual accounts, all the shares are listed on the Spanish Stock Exchanges of Madrid and Bilbao.

There were no movements in subscribed capital or share premium in 2020:

	Thousands of euros		
			2020
	Number of shares	Nominal	Share premium
Closing balance as at 31/12/2019	**331.172.000**	**99.352**	**58.485**
Closing balance at 31/12/2020	**331.172.000**	**99.352**	**58.485**

At the date of authorisation for issue of these annual accounts, all the shares are listed on the Spanish Stock Exchanges of Madrid and Bilbao.

Significant shareholdings

Significant shareholders of Grupo Ezentis S.A. are understood to be 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.

31 December 2021:

	% of voting rights attributed to the shares		
Designation	Total	Direct	Indirect
ELIAS NAVARRO, FRANCISCO JOSE	28,571	-	28,571

31 December 2020:

	% of voting rights attributed to the shares		
Designation	Total	Direct	Indirect
TELEFONAKTIEBOLAGET L.M. ERICSSON	9,637	-	9,637
ERALAN INVERSIONES, S.L.	4,17	4,17	-

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.

(In thousands of euros)

Legal reserve

According to the Capital 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 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 at 31 December 2021 the Company has a legal reserve of EUR 3,200 thousand (31 December 2020: EUR 3,200 thousand) recorded under "Reserves" in the balance sheet. As at 31 December 2021 and 2020 the legal reserve is not endowed at 20% of the share capital.

(c) Own shares

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

	Actions	Thousands of euros
Balance as at 31.12.2019	**182.462**	**73**
Additions	9.050.528	2.743
Retreats	8.813.722	2.648
Balance as at 31.12.2020	**419.268**	**168**
Additions	6.517.121	2.635
Retreats	6.918.510	2.800
Balance as at 31.12.2021	**17.879**	**3**

12.Current and non-current provisions

The changes in current provisions in 2021 and 2020 were as follows:

Current	Thousands of euros	
	31.12.2021	**31.12.2020**
Opening balance	9	300
Additions	-	9
Retreats	(4)	(300)
Closing balance	**5**	**9**

The changes in non-current provisions during 2021 and 2020 are as follows:

Non-current	Thousands of euros	
	31.12.2021	**31.12.2020**
Opening balance	613	613
Additions	-	-
Retreats	(613)	-
Closing balance	**-**	**613**

The withdrawals correspond to the reversal of the provision for contingencies and expenses with Group companies amounting to EUR 533 thousand (recorded under "Impairment losses on trade receivables and changes in provisions" in the income statement) and the reversal of EUR 80 thousand of commercial lawsuits (recorded under "Other income" in the income statement).

(In thousands of euros)

The breakdown of current and non-current provisions at 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	-	5	613	9
Closing balance	**-**	**5**	**613**	**9**

At 31 December 2021 and 2020, various legal proceedings and claims were in progress against various entities arising from the ordinary course of business. The Group's legal advisors and directors consider that the outcome of these proceedings and claims will not have a material adverse effect on the financial statements for the years in which they are settled.

13. Trade and other accounts payable

The breakdown of this balance sheet item is as follows:

	Thousands of euros	
	2021	**2020**
Suppliers	4.317	1.596
Remunerations to be paid	382	209
Other payables to public authorities (note 14)	95	200
	4.794	**2.005**

Information on the average supplier payment period. Third additional provision. "Duty of information" of Law 15/2010, of 5 July and Resolution of the Accounting and Auditing Institute of 29 January 2016:

	2021	**2020**
	Days	**Days**
Average supplier payment period	149	196
Ratio of paid transactions	112	211
Ratio of transactions outstanding	195	172
	Thousands of euros	**Thousands of euros**
Total payments made	4.062	3.156
Total outstanding payments	3.232	2.004

At 31 December 2021 the average supplier payment period exceeds the maximum period of 60 days established by Spanish law. Measures are being taken to issue working capital and payment processes to reduce this average payment period during 2022.

(In thousands of euros)

14. Fiscal situation

a) Balances with public administrations

At 31 December 2021 and 2020, the Company's balances with public authorities are as follows:

	Thousands of euros	
	2021	2020
Deferred tax assets	5.249	20.539
Tax authorities VAT debtor	744	-
Public administrations, debtors	**5.993**	**20.539**
Tax authorities payable for personal income tax	92	106
VAT creditors and others	-	26
Social Security Creditor organisations	3	68
Public administrations, creditors	**95**	**200**

(b) Reconciliation of the tax base and accounting profit or loss

The Company files consolidated tax returns with other investees for corporate income tax purposes, acting as the head of the Ezentis, S.A. consolidated tax group.

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., 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..

Corporate income tax is calculated on the basis of the economic or accounting result, obtained by applying generally accepted accounting principles, which does not necessarily have to coincide with the tax result, understood as the taxable base of the tax.

Corporate income tax in the Company's individual income statement reflects the offsetting of corporate income tax of companies in the rest of the Spanish tax group, the Company's international double taxation expense and the deactivation of tax credits.

The reconciliation of the accounting result to the taxable income for corporate income tax purposes is as follows:

<u>**Financial year 2021**</u>

	Thousands of euros		
	Increase	Decrease	Amount
Accounting profit for the year (before tax)			**(56.627)**
Permanent differences	3.711	(3)	3.708
Time differences			
Adjustments Accounting - tax depreciation	-	(27)	(27)
Tax amortisation of goodwill	-	(15.187)	(15.187)
Net financial expense adjustment	-	-	-
Other provisions	50.481	-	50.481
Tax base (taxable income)	**54.192**	**(15.217)**	**(17.652)**

(In thousands of euros)

In 2021, the negative permanent differences correspond to the deduction for the avoidance of double taxation of the tax borne by the taxpayer abroad from the subsidiaries resident in Latin America, as established in article 31 of Law 27/2014, of 27 November, on Corporate Income Tax (hereinafter LIS). The positive permanent differences relate mainly to the non-deductibility of the expense arising from the forgiveness of loans granted by the Company to the subsidiary resident in Brazil for a total of Euros 3,709 thousand.

Negative timing differences relate to:

(i) to the reversal, in the amount of 27 thousand euros, of the accounting depreciation that was not tax deductible in 2013 and 2014.

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

The positive timing differences correspond to the non-deductibility of impairment losses on loans owed by related entities amounting to Euros 50,481 thousand, in accordance with the provisions of article 13 of the LIS (see note 9).

Financial year 2020

	Thousands of euros		
	Increase	**Decrease**	**Amount**
Accounting profit for the year (before tax)			**(1.931)**
Permanent differences	3.176	(32)	3.144
Time differences			
Adjustments Accounting - tax depreciation	-	(27)	(27)
Tax amortisation of goodwill	-	(15.187)	(15.187)
Net financial expense adjustment	-	-	-
Other provisions	-	(220)	(220)
Tax base (taxable income)	**3.176**	**(15.466)**	**(14.221)**

In 2020, the negative permanent differences correspond to the deduction for the avoidance of double taxation of the tax borne by the taxpayer abroad from the subsidiaries resident in Latin America, as established in article 31 of the LIS. The positive permanent differences correspond to the non-deductibility of the expense derived from the cancellation of credits granted by the Company to the subsidiaries resident in Brazil and Peru for a total of 3,176 thousand euros.

Negative timing differences relate to:

(i) to the reversal, in the amount of 27 thousand euros, of the accounting depreciation that was not tax deductible in 2013 and 2014.

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

(iii) to the reversal, in the current year, of expenses amounting to 220 thousand euros that were not considered as tax deductible expenses in the previous year as a result of different accounting and tax allocation criteria;

(In thousands of euros)

The composition of the accounting tax expense is as follows:

	Thousands of euros	
	As at 31 December	
	2021	**2020**
Current Tax		321
Deferred tax	(15.291)	326
Profit tax	**(15.162)**	**647**

c) Deferred tax assets

Under current legislation, certain timing differences arise which must be taken into account when quantifying the corresponding corporate income tax expense.

The tax effect is adjusted to the current tax rate of 25%.

At 31 December 2021 there are 5,249 thousand euros in deferred tax assets, of which 1,983 thousand euros correspond to the tax credit for the avoidance of international double taxation (2,735 thousand euros in 2020 and 3,266 thousand euros to tax losses generated in previous years (5,486 thousand euros in 2020). In addition, at 31 December 2020, the Company had recognised Euros 12,318 thousand relating to deferred taxes on the tax amortisation of merger goodwill.

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, the offsetting of tax losses from previous years is permitted without limitation in time. Consolidated taxable income corresponding to companies resident in Spain amounts to Euros 618,495 thousand at 31 December 2021 (Euros 568,148 thousand at 31 December 2020, in accordance with the 2020 corporate income tax filed with the tax authorities in July 2021), of which only tax credits amounting to Euros 3,266 thousand have been recognised for accounting purposes in the Company and its subsidiaries.

In the 2021 financial year, the Company has generated, at individual level, Euros 17,652 thousand (Euros 14,221 thousand at 31 December 2020, in accordance with the 2020 corporate income tax filed with the tax authorities in July 2021) of tax loss carryforwards which will be credited by the Company to the tax authorities with the corporate income tax return for the 2021 financial year. The Company's total accumulated individual tax loss carryforwards at 31 December 2021 amount to Euros 369,670 thousand (Euros 352,018 thousand at 31 December 2020, in accordance with the 2020 corporate income tax return filed with the tax authorities in July 2020).

At 31 December 2021 the temporary differences in tax payable not recognised for accounting purposes, which will be included in the tax base of subsequent years, amount to EUR 71,611 thousand (at 31 December 2020 they amounted to EUR 62,794 thousand in tax payable under corporate income tax 2020).

The Group's Board of Directors has approved the business plan for the coming years, which is the basis for assessing the recoverability of, among other calculations, assumptions and estimates, the "Deferred tax assets" shown above. The assumptions on which this business plan is based include the following:

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

- Annual inflationary revenue increase of 1.5% in Spain.

- The EBITDA margin is expected to average 7.4% of revenues.

- Profit before tax is expected to average 0.8% of revenues.

Based on the estimates made on the basis of the aforementioned assumptions, the Company has recognised deferred tax assets amounting to Euros 15,291 thousand under "Income taxes" in the income statement, leaving only the deferred tax assets expected to be recovered over a maximum period of 10 years, taking into account possible scenarios of sensitisation of the assumptions used.

d) Exercises open to inspection

As at 31 December 2021, the last four financial years remain open for review for all taxes applicable to the Company.

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 Company's tax advisors and directors, the possibility of material liabilities arising in this connection in addition to those recorded is remote.

15. Guarantees given to third parties

At 31 December 2021 and 2020, the Company has provided the following guarantees to secure the financing agreement entered into by the Group with a syndicate of financial institutions:

- Pledge of the Company's holdings in Corporación Ezentis Holdco, S.à.r.l.

16. 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

At 31 December 2021 and 2020, the Group has recorded receivables from the former chairman of the 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., for an amount of 7.5 million euros.

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-

(In thousands of euros)

Administrative Court before the National High Court, which has occurred and the proceedings, after the appropriate formalities, are pending a ruling by the National High Court.

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 at 31 December 2021, and to offset taxes pending payment in the amount of Euros 4,526 thousand, although Euros 229 thousand are pending offset (see note 8.2).

17. Income and expenditure

a) Net turnover

The Company's net turnover corresponds to billings to its subsidiaries for services rendered by the Company amounting to EUR 6,757 thousand (EUR 6,653 thousand in 2020), as well as financial income generated by financing granted to Group companies amounting to EUR 1,979 thousand in 2021 (EUR 2,143 thousand in 2020).

Turnover and other operating income from the Company's ordinary activities are distributed geographically as follows:

	Thousands of euros	
	31.12.2021	**31.12.2020**
Market		
- Spain	2.487	5.102
- Rest of EU countries	4.031	2.239
- Latin America	2.218	1.455
	8.736	**8.796**

The Company has analysed in detail the appropriateness of the prices charged to its subsidiaries, which are duly justified and supported.

b) Staff expenditure

	Thousands of euros	
	As at 31 December	
	2021	**2020**
Wages, salaries and similar	4.547	4.446
Social charges	406	391
	4.953	**4.837**

The Company has remuneration outstanding at 31 December 2021 amounting to EUR 382 thousand (31 December 2020: EUR 209 thousand).

As of 31 December 2021 and 2020 there are no persons with a disability of 33% or more employed.

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

	Average number of employees	
	31.12.2021	**31.12.2020**
Graduates		
Administrative staff		
	31	**31**

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

Financial year 2021	**Men**	**Women**	**Total**
Senior Management	3	-	3
Graduates	13	7	20
Administrative staff	4	5	9
	20	**12**	**32**

Financial year 2020	**Men**	**Women**	**Total**
Senior Management	5	-	5
Graduates	11	5	16
Administrative staff	4	5	9
	20	**10**	**30**

c) Audit fees and other services

During the financial years 2021 and 2020, the fees for auditing and other services provided by the Company's auditor (KPMG Auditores, S.L.), 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	201	198
For other accounting verification services	86	5
	287	**203**

Other accounting verification services billed in 2021 relate to work related to the issue of agreed-upon procedures reports on the verification of economic ratios (coventants) in the amount of 5 thousand euro, fees for services to review the half-yearly financial statements of the Ezentis, S.A. Group at 30 June 2021 in the amount of 16 thousand euro and fees for services to review the Pro forma Consolidated Combined Financial Information in the amount of 65 thousand euro. 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.

The information relating to the services provided by KPMG Auditores, S.L. to the companies controlled by the Company during the year ended 31 December 2021 is included in the consolidated annual accounts of Grupo Ezentis, S.A. and subsidiaries at 31 December 2021.

In addition, other entities affiliated with KPMG International have not provided professional services to the Company during the years ended 31 December 2021 and 2020.

d) Other operating expenses

Details of "Other operating expenses" for the years 2021 and 2020 are as follows:

(In thousands of euros)

	Thousands of euros	
	31.12.2021	**31.12.2020**
Leases and royalties	1.256	541
Repairs and maintenance	7	100
Independent professional services	3.560	1.292
Advertising	29	11
Insurance premiums	129	112
Supplies	127	85
Other services	1.545	2.142
Tributes	51	24
	6.704	**4.307**

e) Financial income

The detail of this item in the profit and loss account for the years 2021 and 2020 is as follows:

	Thousands of euros	
	31.12.2021	**31.12.2020**
Interest income from third parties	436	327
Total	**436**	**327**

f) Impairment losses and changes in provisions

In 2021 the Company waived receivables from the investee Ezentis Brasil, S.A. amounting to Euros 3,710 thousand (in 2020: Euros 2,965 thousand and Euros 211 thousand from the investees Ezentis Brasil, S.A. and Ezentis Perú, S.A., respectively). These receivables related mainly to the provision of services in prior years in connection with management support, high added value and use of trademarks.

In addition, during 2021 the Company has impaired receivables from investees amounting to Euros 50,481 thousand (see Note 8.d).

In addition, a reversal of a provision for liabilities and charges amounting to EUR 538 thousand was recorded under this heading (see note 12).

(In thousands of euros)

18. Board of Directors and Senior Management

a) Directors' remuneration

The remuneration accrued during the financial years 2021 and 2020 for the members of the Board of Directors 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 to each member during the financial years 2021 and 2020 is as follows:

				Thousands of euros
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**	**Diets 2021**	**Remuneration 2020**	**Diets 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	-	-
D. 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 4q. 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 25,000 euros 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.

(In thousands of euros)

As at 31 December 2021 and 2020 there were no advances, no loans granted and no pension plans with any member of the Board of Management of the Company. In addition, there is life insurance coverage for one member of the Board of Management with an insured capital of three times the amount of his salary. The Company has taken out liability insurance for the directors.

Monetary remuneration for both financial years 2021 and 2020 corresponds to the salaries and wages of the Board of Directors who perform executive functions in the Company. The section on per diems corresponds 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.

b) Remuneration of management personnel

The remuneration of the General Managers and persons performing similar functions in the subsidiaries excluding those who simultaneously hold the status of member of the Board of Directors (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, which varies between 1 and 2.5 years of fixed remuneration, for the entire period During 2021, this plan was settled. (See Note 14.r).

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

Transactions with other related parties

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

- Significant shareholders of Grupo Ezentis S.A., understood as those directly or indirectly owning 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. (Note 11a).

- 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 normal course of business. In addition, transactions with related parties have been concluded on an arm's length basis.

(a) Sale or purchase of assets from related parties

No assets were purchased from related parties in 2021 and 2020.

b) Sale of goods and provision of services

During the financial years 2021 and 2020, there are no purchases of goods and services between related parties.

(c) Purchase of goods, services and financial expenses

During the financial years 2021 and 2020, there are no sales of goods and services between related parties.

(d) Other operations

No other transactions have taken place during the financial years 2021 and 2020.

e) Outstanding closing balances arising from the sale and purchase of goods and services

As at 31 December 2021 and 2020 there are no outstanding balances arising from related party purchases.

20. Environmental information

Given the activity in which the Company engages, it has no environmental liabilities, expenses, assets, provisions and contingencies that might be material with respect to its equity, financial position and results. For this reason, no specific disclosures on environmental issues are included in these notes to the financial statements.

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.

21. Post-closure events

On 27 January 2022, the Board of Directors of the 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 Company agreed to cease the businesses in Chile, Peru and Mexico.

(In thousands of euros)

ANNEX I

DIRECT SUBSIDIARY OF EZENTIS GROUP FINANCIAL YEARS 2021 AND 2020

			Voting Rights		Data of the Investee						
			Controlled by the Company		Financial year 2021 (Thousands of Euros)						
Society	**Address**	**Activity**	**Direct**	**Indirect**	**Cost**	**Deterioration**	**V. Neto accountant**	**Assets**	**Liabilities**	**Heritage**	**Loss of Exercise**
Corporación Ezentis Holdco, S.à.r.L.	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 various companies in the Group.	100%	-	38.141	-	38.141	66.596	27.083	39.513	(105)
			Controlled by the Company		Financial year 2020 (Thousands of Euros)						
			Direct	**Indirect**	**Cost**	**Deterioration**	**V. Neto accountant**	**Assets**	**Liabilities**	**Heritage**	**Loss of Exercise**
Corporación Ezentis Holdco, S.à.r.L.	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 various companies in the Group.	100%	-	38.141	-	38.141	72.298	32.598	39.700	(116)

(In thousands of euros)

ANNEX II

COMPANIES INDIRECTLY DEPENDENT ON THE EZENTIS GROUP

Subsidiaries and branches Grupo Ezentis, S.A.:

Society	Address	Activity	Voting Rights Controlled by the Company	
			Direct	Indirect
Ezentis Holdco, S.à. r.l. Corporation	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 telecommunication 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 met by this company.	-	100%

Ezentis Gestión de Redes, S.L.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	Design, manufacture and trade, on its own behalf or through third parties, of multimedia communication and information processing 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**

(In thousands of euros)

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 of the same	-	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%

(In thousands of euros)

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 thereof	-	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, 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.		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%

(In thousands of euros)

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%

(In thousands of euros)

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 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.	-	100%
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, development, promotion, 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 IB Polígono Industrial Sursan	Installation and maintenance of security equipment, devices and systems		100%

(In thousands of euros)

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, 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.	-	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

Management Report

Ezentis Group S.A.

January-December 2021

INDEX

1.- MAIN MAGNITUDES

Grupo Ezentis, S.A. is the parent company of the Ezentis Group and its subsidiaries located in Europe and Latin America. Its activity corresponds to corporate services and shareholdings.

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

Within the context of the Group's Transformation Plan, the Group has focused its strategy on growing in European markets and reducing its exposure in Latin America, mainly in markets where it is difficult to achieve volumes to improve efficiency, and especially in contracts and customers whose characteristics make profitability difficult.

As part of this strategy of centralisation in more stable markets, in 2021 activity commenced in Germany with the deployment and construction of fibre optics 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.

The declaration of a global pandemic has been maintained throughout 2021, so the Ezentis Group has kept its Contingency Plan active to guarantee the operational capacity of each Group subsidiary and business continuity, safeguarding the safety of all its employees.

The main figures for the financial year 2021 are shown below:

(In thousands of euros)

Thousands of Euros	2021	2020	Var	Var%
Income [*]	9.681	10.005	(324)	(3,2%)
OPERATING INCOME	(56.854)	(2.365)	-54.489	2304,0%
Financial result	(227)	434	(661)	(152,3%)
Profit before tax	(56.627)	(1.931)	(54.696)	2.832,5%
Net result	(71.789)	(1.284)	(70.505)	5.491,0%

(*) Financial income with group companies has been considered as INCN.

Revenues at Grupo Ezentis, S.A. amounted to 9,681 thousand euro. The decrease in 2021 with respect to the previous year is due to lower revenues from high and low value services provided to subsidiaries. Operating profit at the end of 2021 amounted to Euros (56,854) thousand, mainly due to impairment of trade receivables.

The financial results of Grupo Ezentis, S.A. for 2021 amounted to EUR (227) thousand.

The pre-tax profit for 2021 of Grupo Ezentis, S.A. for the year was EUR (56,627) thousand, compared with EUR (1,931) thousand in 2020.

Grupo Ezentis, S.A. has a direct 100% stake in Corporación Ezentis Holdco, S.à.r.l.

The main aggregates of the balance sheet of Grupo Ezentis, S.A. at 31/12/2021 are shown in the following table, in comparison with the previous year:

(In thousands of euros)

Thousands of Euros	31 12 2021	31 12 2020		31 12 2021	31 12 2020
ACTIVE			LIABILITIES		
Non-Current Assets	97.859	70.784	Equity	95.753	127.710
Tangible fixed assets	23	26			
Intangible assets	3.003	2.648	Non-current liabilities	7.904	613
Investments in Group companies	89.569	38.141	Amounts owed to Group companies	7.904	-
Financial investments	15	9.430	Provisions	-	613
Deferred tax assets	5.249	20.539			
Current Assets	10.597	73.515	Current liabilities	4.799	15.976
Trade and other receivables	744	-	Provisions	5	9
Investments in Group companies	-	72.529	Amounts owed to Group companies	-	13.962
Short-term financial investments	9.558	-			
Accruals	-	223	Trade and other payables	4.794	2.005
Cash and cash equivalents	295	763			
TOTAL	108.456	144.299	TOTAL	108.456	144.299

The Ezentis Group and its subsidiaries focus their business mainly on the operation and maintenance of telecommunications and electricity infrastructures in Europe and Latin America.

In addition, the Group also develops other businesses such as: construction and engineering projects, development of IT solutions for network management, operation and maintenance of water and *oil & gas* pipelines and the installation and maintenance of security systems in the energy and industrial sectors.

The main aggregates in the Ezentis Group's consolidated financial statements for 2021 and 2010, prepared in accordance with EU-IFRS, are as follows:

(In thousands of euros)

Consolidated figures	Thousands of Euros	
	31.12.2021	*31.12.2020*
Total consolidated assets	197.008	326.587
Attributable equity (excluding minority interests)	-163.287	-51.153
Net turnover	361.405	367.202
Attributable profit for the year	-144.149	-43.083

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. - ACCOUNTING POLICIES

The accounting criteria used in the preparation of the individual financial statements are those contemplated in the General Accounting Plan in force, approved by Royal Decree 1514/2007, of 16 November 2007, and the amendments incorporated therein by Royal Decree 1159/2010 and Royal Decree 602/2016.

The aforementioned General Chart of Accounts came into force on 1 January 2008 and is applicable for financial years commencing on or after that date.

As a result of the Resolution of 10 February 2021 of the Spanish Accounting and Audit Institute (Instituto de Contabilidad y Auditoría de Cuentas), which lays down rules for recording and valuation and the preparation of the annual accounts for the recognition of income from the delivery of goods and services, the company has classified financial income from loans granted to Group companies as part of net sales. In this regard, it has restated the comparative figures for 2020 by reclassifying an amount of 2,143 thousand euros from Finance income to Revenue in the income statement for 2020.

3. - 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 integrally and continuously, and is the result of the consolidation at corporate level of the management carried out by each of the business units, countries or companies that form or have formed part of the Ezentis Group during the 2021 financial year.

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 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.

This responsibility for supervising the risk management system is carried out by the Group's Internal Audit manager, 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, as well as the main risks to which the Group is exposed at 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. 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 existing regulations in the countries in which the Group operates, especially tax, legal and labour regulations. There is an internal legal, human resources and tax department, which supervises compliance with the legislation in force in each country where the Group 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. At 31 December 2021, the Group's consolidated balance sheet shows negative working capital. The Group has adopted measures aimed at gradual recovery and sustainable normalisation over time and expects this to be completed 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 in 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 subcontracted activity, commitment to higher volume and higher density contracts, diversification to other industries and others).

-Risk of accumulated losses and equity position. During 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 at 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 at 31 December 2021.

iv) Operational Risks:

-Occupational safety risk for personnel. Given the high volume of workers in the operation and the characteristics of the operation, 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 its 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.

4. - 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 of Mr Alberto Alonso Ureba as Legal Adviser.

In February 2022, the Board of Directors of the Company agreed to cease the businesses in Chile, Peru and Mexico.

5. - ACQUISITION OF OWN SHARES

At 31 December 2021 Grupo Ezentis, S.A. holds a total of 17,879 shares. The transactions carried out in 2021 were as follows:

Purchases: 6,517,121 shares

Sales: 7,169,586 shares

6. - 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.

7. - USE OF FINANCIAL INSTRUMENTS BY THE GROUP

The Company has the financial instruments described in note 3.1. of the notes to the financial statements for 2021. Furthermore, the Company has not contracted any derivative financial instruments.

8. - 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 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).

9. - CAPITAL STRUCTURE

Pursuant to article 5 of the Bylaws, the share capital of Grupo Ezentis, S.A. at 31 December 2021 consists of 463,640,800 shares of Euros 0.30 par value each, all of the same class and series, fully subscribed and paid up. The shares are represented by book entries.

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 19.19,870,320 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 debentures.

(In thousands of euros)

10. - 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.

11. - SIGNIFICANT DIRECT OR INDIRECT EQUITY INTERESTS

The significant direct and indirect shareholdings, excluding directors, at 31 December 2021, as listed on the CNMV's website are as follows:

Shareholder	Direct actions	Direct share	Indirect actions	Indirect par.	Total
ELIAS NAVARRO, FRANCISCO JOSE	-	-	132.468.800	28,571	28,571

The Members of the Board of Directors of the company who hold voting rights on the shares are as follows:

(In thousands of euros)

Name or name of director	Direct actions	Indirect actions	Total shares	(%) of capital
D. Enrique Sánchez de León García	1.000.293	0	1.000.293	0,216
D. Pedro María Azcárate Palacios	191.806	0	191.806	0,041
Ms. Ana María Sánchez Tejeda	30.516	0	30.516	0,007
Ms. Paloma Jiménez Baena	0	0	0	0,000
Ms. Laura González-Molero	75.516	0	75.516	0,016
Ms. Anabel López Porta	0	0	0	0,000
D. Eduard Romeu Barceló	0	0	0	0,000
TOTALS	**1.298.131**	**0**	**1.298.131**	**0,280**

12. - 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.

13. - SHAREHOLDERS' AGREEMENTS

No shareholders' agreements have been communicated to the Company.

14. - 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 and the Regulations of the Board of Directors.

The organisational rules of Grupo Ezentis, S.A. are available on the Company's website (www.ezentis.com), which essentially include the Bylaws and the Regulations of the Board of Directors.

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 the full text of the proposed amendment and the report thereon at the registered office 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.

15.- 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 the 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.

16 - SIGNIFICANT AGREEMENTS WITH CHANGE OF CONTROL OF THE COMPANY FOLLOWING A TAKEOVER BID

There are no significant agreements of this kind.

17. - 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.

18. - STAFF INFORMATION

(In thousands of euros)

The average number of people employed during the financial year 2021, distributed by professional category, was as follows:

	Men	Women
Senior management	3	-
Graduates	13	7
Structural Staff / Staff Administration	4	5
	20	12

19. - ANNUAL DIRECTORS' REMUNERATION REPORT

Pursuant to article 538 of the Spanish Companies Act, the 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).

20. - STATEMENT OF NON-FINANCIAL

The Company is included in the consolidated statement of non-financial information which forms part of the consolidated directors' report of Grupo Ezentis, S.A. and subsidiaries.

This statement of non-financial information has been prepared in accordance with the requirements established in Law 11/2018, of 28 December, which amends the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on auditing of accounts, in relation to non-financial information and diversity. The consolidated directors' report of Grupo Ezentis, S.A. and subsidiaries is filed with the Mercantile Registry of Seville.