LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES

CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTOR'S REPORT FOR THE FINANCIAL YEAR 2016 TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS.

(Translation from the Consolidated Annual Accounts to be issued originally in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of any discrepancy, the Spanish language version prevails).

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LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.
AND SUBSIDIARIES

Consolidated Annual Accounts and Consolidated Director's Report for the financial year 2016 together with the Independent Auditor's Report on the Consolidated Annual Accounts

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2016

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2016

LLEIDANET SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

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**(Translation from the report issued originally in Spanish.
In the event of a discrepancy, the Spanish-language version prevails)**

Independent auditor's report on the consolidated annual accounts

To the Shareholders of **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.**

Consolidated Annual Accounts Report

We have audited the accompanying Consolidated Annual Accounts of **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. (PARENT COMPANY) AND SUBSIDIARIES,** which comprise the consolidated balance sheet as of December 31st, 2016, the consolidated profit and loss account, the statement of changes in the consolidated net equity, the consolidated statement of cash-flow and the notes for financial year then ended.

Responsibility of the Directors regarding the consolidated annual accounts

The Directors of the Parent Company are responsible for the preparation of the accompanying Consolidated Annual Accounts, in such a way that they express the true and fair view of the consolidated net equity, the consolidated financial situation and the consolidated results of **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES** in accordance with the regulatory framework of financial information applicable to the entity in Spain, as identified in Note 3.a of the accompanying notes to the Consolidated Annual Accounts, and of the internal control deemed necessary to enable the preparation of Consolidated Annual Accounts free of material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying Consolidated Annual Accounts based on our audit. We have conducted our audit in accordance with the current Spanish regulations of audit accounts. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Annual Accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Annual Accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Annual Accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Consolidated Annual Accounts by the Directors of the Parent Company in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Annual Accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying Consolidated Annual Accounts present fairly, in all material respects, the true and fair view of the net equity and the financial position of **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES** as of December 31, 2016 and its consolidated results and its consolidated cash-flows for the financial year then ended, in accordance with the applicable financial reporting regulatory framework and, in particular, with the accounting principles and criteria contained therein.

Emphasis of matter paragraph

We draw attention to Note 2.d to the accompanying notes to the Consolidated Annual Accounts, in which it is stated that financial year 2016 is the first financial year in which the Directors of the Parent Company prepare the Consolidated Annual Accounts. Consequently, for comparison purposes they do not present, with each item in the consolidated balance sheet, the consolidated profit and loss account, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated annual accounts, in addition to the figures for 2016, the figures for the previous year. This matter does not change our audit opinion.

Report on other legal and regulatory requirements

The accompanying Consolidated Directors' Report for the financial year 2016 contains such explanations as the Directors of the Parent Company considers relevant to the situation of **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES**, the evolution of its business and other matters and is not an integral part of the Consolidated Annual Accounts. We have verified that the accounting information contained in the Consolidated Director's Report is consistent with that disclosed in the Consolidated Annual Accounts for the financial year ended on December 31, 2016. Our work as auditors is limited to the verification of the Director's Report with the scope stated in this paragraph and does not include a review of other information than obtained from **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES.**

BDO Auditores, S.L.P.

Ignacio Algás
Audit Partner

April 7, 2017

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.
AND SUBSIDIARIES

CONSOLIDATED ANNUAL ACCOUNTS FOR THE PERIOD ENDED ON DECEMBER 31, 2016

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2016

(Expressed in euros)

ASSETS	Notes to the Consolidated Annual Accounts	31/12/2016
NON-CURRENT ASSETS		**4.306.218,46**
Intangible assets	**Note 5**	**3.641.535,77**
Tangible fixed assets	**Note 6**	**463.031,94**
Land and buildings		147.632,92
Technical installations and other tangible fixed assets		237.348,02
Fixed assets in the course of construction and advances		78.051,00
Long-term investments in group and affiliated companies		**25.468,24**
Shares in equity method		25.468,24
Long-term financial investments	**Note 8**	**38.081,86**
Deferred Tax Assets	**Note 14**	**138.100,65**
CURRENT ASSETS		**5.249.790,42**
Trade and other receivables		**2.278.152,30**
Client receivables for sales and services	Note 8.2	2.173.702,32
Sundry debtors	Note 8.2	57.739,26
Staff	Note 8.2	1.338,00
Current tax assets	Note 14	22.328,12
Other receivables from Public Authorities	Note 14	23.044,60
Short-term financial assets	**Note 8.2**	**1.253.005,50**
Short-term accruals		**224.583,26**
Cash and cash equivalents	**Note 8.1.a**	**1.494.049,36**
Cash		1.494.049,36
TOTAL ASSETS		**9.556.008,88**

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2016

(Expressed in euros)

EQUITY AND LIABILITIES	Notes to the Consolidated Annual Accounts	31/12/2016
EQUITY		**2.816.947,10**
Equity		**2.785.483,78**
Capital	**Note 12.1**	**320.998,86**
Share Capital		320.998,86
Share Premium	**Note 12.3**	**5.244.344,28**
Reserves	**Note 12.2**	**(452.733,62)**
Legal and statutory		47.503,72
Other Reserves		(500.237,34)
(Shares and own holdings in equity)	**Note 12.4**	**(898.227,80)**
Financial year result attributed to the parent company	**Note 18**	**(1.428.897,94)**
Consolidated Losses and Profits		(1.428.896,70)
(Minority interest losses and profits)		(1,24)
Adjustments for changes in value		**30.396,69**
Minority interests	**Note 4**	**1.066,63**
NON-CURRENT LIABILITIES		**1.923.559,08**
Long-term debts		**1.923.559,08**
Debts with credit institutions	**Note 9.1**	1.800.679,35
Other financial liabilities	**Note 9.1**	122.879,73
CURRENT LIABILITIES		**4.815.502,70**
Short-term provisions	**Note 16**	**159.002,50**
Other provisions		159.002,50
Short-terms debts	**Note 9.1**	**3.184.947,46**
Debts with credit institutions		3.131.985,36
Other financial liabilities		52.962,10
Trade and other payables		**1.471.552,74**
Suppliers	Note 9.1	1.197.573,01
Sundry creditors	Note 9.1	182.462,21
Staff (remuneration payable)	Note 9.1	409,87
Other debts with Public Authorities	Note 14	91.107,65
TOTAL EQUITY AND LIABILITIES		**9.556.008,88**

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON DECEBER 31, 2016

(Expressed in Euros)

PROFIT AND LOSS ACCOUNTS	Notes to the Consolidated Annual Accounts	2016
Net turnover	**Note 22**	**8.054.022,03**
Work performed by the Company for its assets	**Note 5**	**918.682,68**
Supplies	**Note 15.a**	**(3.909.824,83)**
Goods consumed		(3.909.824,83)
Other operating income		**(790,64)**
Staff expenses		**(2.012.317,34)**
Wage, salaries and the like		(1.552.849,49)
Fringe benefits	Note 15.b	(459.467,85)
Other operating expenses		**(2.004.130,81)**
External charges for services		(1.861.472,52)
Taxes		(101.619,25)
Losses, Impairment and change in trade provisions		(35.014,32)
Other current operating expenses		(6.024,72)
Amortization of fixed assets	**Notes 5 and 6**	**(1.147.115,06)**
Impairment and earnings for fixed-asset disposals	**Note 5**	**(654.913,80)**
Other earnings	**Note 17**	**(486.194,64)**
OPERATING EARNIGS		**(1.242.582,41)**
Financial income	**Note 15.c**	**5.860,11**
Financial expenses	**Note 15.c**	**(183.493,79)**
Change in fair value of financial instruments	**Note 15.c**	**400,88**
Exchange differences	**Note 15.c**	**(5.801,05)**
FINANCIAL EARNINGS		**(183.033,85)**
PRE-TAX EARNINGS		**(1.425.616,26)**
Profit tax	**Note 14**	**(3.280,44)**
FINANCIAL YEAR'S EARNINGS	**Note 18**	**(1.428.896,70)**
Result attributed to the Parent Company		**(1.428.897,94)**
Result attributed to minority interests		**1,24**

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED ON DECEMBER 31, 2016

(Expressed in euros)

	Share Capital	Share Premium	Reserves and previous financial year's income	Own holdings in equity	Result attributed to the Parent Company	Adjustments for changes in value	Minority interests	Total
BALANCE AS OF JANUARY 1, 2016	**320.998,86**	**5.244.344,28**	**(583.582,91)**	**(696.103,04)**	**-**	**43.641,46**	**1.092,54**	**4.330.391,19**
Total recognized income and expenses	**-**	**-**	**-**	**-**	**(1.428.897,94)**	**(13.244,77)**	**(25,91)**	**(1.442.168,62)**
Transactions with shareholders	**-**		**130.849,29**	**(202.124,76)**	**-**	**-**	**-**	**(71.275,47)**
Transactions with own equity instruments (net)	-		130.849,29	(202.124,76)	-	-	-	(71.275,47)
BALANCE, END OF 2016	**320.998,86**	**5.244.344,28**	**(452.733,62)**	**(898.227,80)**	**(1.428.897,94)**	**30.396,69**	**1.066,63**	**2.816.947,10**

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR 2016

(Expressed in Euros)

	2016
CASH FLOW FROM OPERATING ACTIVITIES	**857.616,42**
Financial year's pre-tax earnings	**(1.425.616,26)**
Adjustments to earnings	**2.173.278,48**
Fixed asset amortisation	1.147.115,06
Valuation changes for impairment	35.014,32
Change in provisions	159.002,50
Result for write-off's and disposals of fixed assets	654.913,80
Financial income	(5.860,11)
Financial expenses	183.493,79
Change in fair value of financial instruments	(400,88)
Changes in current capital	**308.038,22**
Debtors and other accounts receivable	(71.341,43)
Other current assets	(68.448,13)
Trade payables and other accounts payable	447.827,78
Other cash flow from operating activities	**(198.084,02)**
Interest payments	(183.493,79)
Receipts of interests	5.860,11
Receipts (payments) for profit tax	(20.450,34)
FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE INVERSIÓN	**(2.181.299,42)**
Payments for investments	**(2.181.299,42)**
Intangible assets	(1.075.376,31)
Tangible assets	(94.219,44)
Other financial assets	(1.011.703,67)
CASH FLOW FROM FINANCING ACTIVITIES	**(1.477.788,99)**
Receipts and payments for equity instruments	**(71.275,47)**
Acquisition of own equity instruments	(71.275,47)
Receipts and payments for financial-liability instruments	**(1.406.513,52)**
Issuance	**850.000,00**
Amounts owed to credit institutions	850.000,00
Repayment and amortisation of:	**(2.256.513,52)**
Amounts owed to credit institutions	(2.203.739,87)
Others	(52.773,65)
NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS	**(2.801.471,99)**
Cash and cash equivalents at start of the financial year	4.295.521,35
Cash and cash equivalents at end of the financial year	1.494.049,36

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2016

NOTE 1. INCORPORATION, ACTIVITIES AND LEGAL SYSTEM OF THE PARENT COMPANY

a) Incorporation and registered Office of the Parent Company

LLEIDANETWORKS SERVEIS TELEMÀTICS, S. A. (hereinafter "the Company"), was incorporated in Lleida on 30 January 1995. Its registered office is located in the Parc Científic i Tecnològic Agroalimentari de Lleida, Edificio H1, Planta 2, in Lleida.

b) Activity of the Parent Company

Its activity consists in acting as a teleoperator for short message management services (SMS) over the Internet, as well as any other activity related to the aforementioned corporate purpose.

c) Activities of the Group Companies

Main activity of the subsidiaries consists in the provision of telecommunications services, the development of programs, the sending of text messages and electronic mail, and the provision of study services and analysis of computer processes in general.

d) Legal System of the Parent Company

Parent Company is governed by its Articles of Association and by the current Corporate Enterprises Act.

e) Events Occurring in 2015

On June 1, 2015, the Parent Company approved at the Shareholders' Meeting the request for incorporation into the Alternative Stock Market of all the shares of the Parent Company.

On October 7, 2015, the Board of Directors of Bolsas y Mercados Españoles, Sistemas de Negociación, S.A., approved the incorporation of 16.049.943 shares of 0,02 euros nominal value each into the segment of companies in expansion of the Alternative Stock Market, effective as of October 9, 2015. The Parent Company appointed PricewaterhouseCoopers Asesores de Negocios, S.L. and as Liquidity Provider to BEKA Finance, S.V., S.A. On November 7, 2015, the Parent Company changed its Registered Advisor, appointing GVC GAESCO VALORES SV, S.A.

1.2) Group Companies

The Parent Company holds, directly, investments in different national and international companies, and controls, directly, these companies. On January 1, 2016 the first consolidation of the Group Companies was carried out.

Group Companies included in the Consolidation Perimeter

The breakdown of the Group Companies included in the consolidation perimeter as of December 31, 2016 is the following:

	Percentage of Holding	Applied Method of Consolidation
Group Lleidanetworks Serveis Telemàtics, S.A.		
which maintains the following investments:		
Lleidanetworks Serveis Telemàtics, LTD	100%	Global Integration
Lleidanet USA Inc	100%	Global Integration
Lleidanet Honduras, SA	70%	Global Integration
LLeidanet Dominicana, SRL	99,98%	Global Integration
Lleida SAS	100%	Global Integration
Lleida Chile SPA	100%	Global Integration
Lleidanet do Brasil Ltda	99,99%	Global Integration
Lleidanet Guatemala	80%	Global Integration
Portabilidades Españolas, S.A.	100%	Global Integration
Lleidanet Costa Rica	100%	Global Integration
Lleidanet Perú	100%	Global Integration
Lleidanet India	25%	Equity Method

The financial year of the Parent Company and the Subsidiaries begins on January 1, and ends on December 31, of each year. The last Annual Accounts of the Parent Company and its Subsidiaries drawn up correspond to the financial year ended on December 31, 2016.

Detail of activities and registered office of the Subsidiaries included in the perimeter of consolidation as of December 31, 2016, is indicated below:

Lleidanetworks Serveis Telemàtics, LTD

Incorporated on December 28, 2005 in Dublin, with its registered office in Birchin Court 20, Birchin Lane London (United Kingdom). Its main activity is as operator.

Lleidanet USA Inc

Incorporated on May 12, 2009 and its registered office is at 2719 Hollywood Boulevard Street 21 FL33020, Hollywood. Its main activity is as operator. On June 30, 2013 a capital increase was made in Lleidanet USA Inc. for 397.515,00 euros which Lleidanetworks Serveis Telematics, S.A. subscribed in entirely.

Lleidanet Honduras, S.A.

Its registered office in Tegucigalpa (Honduras), it was incorporated on January 11, 2012 subscribing, Lleidanetworks Serveis Telemàtics, S.A., 175 shares out of a total amount of 250 that were issued. Its main activity consists on being SMS operator, based on an interconnection network with the fixed and mobile operations of the Republic of Honduras.

Lleidanet Dominicana, S.R.L.

Headquartered in Santo Domingo (Dominican Republic), was incorporated on June 26, 2012 subscribing, Lleidanetworks Serveis Telemàtics, S.A., 4.999 shares of a total of 5.000 that were issued. Its main activity is based on the dissemination of telematics systems.

Lleida SAS

With its registered office in Bogotá (Colombia), it was incorporated on November 16, 2012 subscribing, Lleidanetworks Serveis Telemàtics, S.A., 100 shares out of a total of 100 that were issued. Its main activity is based on the dissemination of telematics systems.

Lleida Chile SPA

With its registered office in Santiago (Chile), it was incorporated on March 12, 2013, subscribing, Lleidanetworks Serveis Telemàtics, SA, 200 shares out of a total of 200 that were issued. Its main activity is based on the provision, organization and commercialization of telecommunications services.

Lleida Networks India Private Limited

With its registered office in New Delhi (India), it was incorporated on January 7, 2013 subscribing, Lleidanetworks Serveis Telemàtics, S.A., 12,500 shares out of a total of 50,000 that were issued. Its main activity is the creation of a telecommunications operator in India, as well as offering VAS services, including SMS, MMS, and UMS and other types of messaging

Lleidanet do Brasil Ltda

With its registered office in Sao Paulo (Brazil), it was incorporated on October 2, 2013 subscribing, Lleidanetworks Serveis Telemàtics, S.A., 329 shares out of a total of 330 that were issued. Its main activity is based on the provision of telecommunication services, program development, sending of text messages and electronic mail and the provision of services of study and analysis of computer processes in general.

Lleidanet Guatemala, Sociedad Anónima

With its registered office in Guatemala (Guatemala), it was incorporated on November 7, 2013 subscribing, Lleidanetworks Serveis Telemàtics, S.A., 4,800 shares out of a total of 6,000 issued. Its main activity is the provision, organization and commercialization of telecommunication services and activities such as mobile messaging services (SMS and MMS), carriers, etc., the creation, generation and exploitation of information and communication technologies and the provision of consulting and advisory services on these matters.

Portabilidades Españolas, S.A.

Incorporated on December 4, 2015, Lleidanetworks Serveis Telemàticos S.A., representing 100% of the share capital of 3,000 shares for a total value of euros 3,000. Its corporate purpose is the commercialization of services based on numerical portability data to telecommunications operators for the routing of telephone traffic and short text messages.

Lleidanet Costa Rica Empresa Individual de Responsabilidad Limitada

On March 31, 2016, the Parent acquires D. Francisco José Sapena Soler 100% of this Company for the amount of 16.06 euros. Its main activity is the provision, organization and commercialization of telecommunication services and activities such as mobile messaging services (SMS and MMS), carriers, etc., the creation, generation and exploitation of information and communication technologies and the provision of consulting and advisory services on these matters.

Lleidanet Perú

On August 25, 2016, the Parent Company made a contribution of 268.09 euros for the incorporation of said company. Its main activity is the provision, organization and commercialization of telecommunication services and activities such as mobile messaging services (SMS and MMS), carriers, etc., the creation, generation and exploitation of information and communication technologies and the provision of consulting and advisory services on these matters.

NOTE 2. PRESENTATION BASIS OF CONSOLIDATED ANNUAL ACCOUNTS

a) True and Fair View

The accompanying Consolidated Annual Accounts for the year 2016 were prepared with the accounting records of the different constituent companies of the Group, whose respective annual statements were prepared in accordance with the applicable commercial law currently in force and according to the General Accounting Plan approved by Spanish Royal Decree 1514/2007, 16 of November, in the case of Spanish companies, and in accordance with the applicable legislation in the other countries in which the companies that are part of the Consolidated Group are located, and are submitted as provided by the Royal Decree 1159/2010 of 17 September, so as to provide a true and fair view of the net worth, financial situation, results and accuracy of the cash flows included in the Consolidated Cash Flow Statement.

b) Presentation Currency

In accordance with the applicable laws and regulations on accounting, the Consolidated Annual Accounts are expressed in euros.

c) Critical Aspects of Uncertainties Valuation and Estimation

There are no significant uncertainties or aspects about the future that may involve a significant risk that may entail significant changes in the value of the assets and liabilities in the following year, except for those of the nature of the business of the Group:

- Slower growth than expected in the Business Plan: slower maturation in some countries.
- Reasonableness of the activation and recoverability of research projects.
- Foreign currency risk, although the Company has a natural hedge with revenues and costs in foreign subsidiaries denominated in the same currency.
- Very atomized and competitive local market.

There have been no changes in accounting estimates that have affected the current year or that could significantly affect future years.

d) Comparison of the Information

As a result of this being the first year in which the Group draws up Consolidated Annual Accounts, the accompanying consolidated balance sheet, the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended December 31, 2016 do not present comparative figures.

e) Changes in Accounting Standards

As indicated in the foregoing section, this is the first year in which the Group voluntarily draws up Consolidated Annual Accounts, and therefore no changes in its own accounting policies have been made and no related adjustments are included as a result of errors.

f) Responsibility for the Information given and the Estimates made

For the preparation of the Consolidated Annual Accounts estimates have been used in order to value some of the assets, liabilities, incomes, expenses and compromises that are registered, and that, basically, these estimations are referred to the evaluation of losses by impairment of certain assets, the useful life of non-current assets and the probability of occurrence of provisions.

Notwithstanding that these estimates were made according to the best information available at the time of the preparation of these Consolidated Annual Accounts, it is possible that future events may occur that require their amendment for the next financial years; which would be carried out prospectively, taking account of the effects of the estimate change on the corresponding profit and loss accounts.

NOTE 3. RECOGNITION AND VALUATION STANDARDS

The principal valuation standards used by the Group in the drafting of its Consolidated Annual Accounts, in accordance with those established by the General Accounting Plan, were as follows:

a) Consolidation Principles

The consolidation of the Annual Accounts of **Lleidanetworks Serveis Telemàtics, S.A.** with the Annual Accounts of its investee companies mentioned in Notes 1.2 and 2, was carried out using the following methods:

1. Application of the global integration method for all Group companies, i.e. those over which it as effective control.

2. Application of the equity method as equivalence for associated companies, i.e. those over which a notable influence is exercised in terms of management but in which there is no majority vote or joint management with third parties.

The consolidation of the operations of **Lleidanetworks Serveis Telemàtics, S.A.** with those of the aforementioned subsidiaries was performed according to the following basic principles:

- The criteria used in formulation of the Balance Sheets, the Profit and Loss Account and the Statement of Changes in Equity and Cash-Flow Statements for each one of the consolidated companies are, generally, and in their basic aspects, homogenous.

- The Consolidated Balance Sheet, the Consolidated Profit and Loss Account, the Consolidated Statement of Changes in Equity and Consolidated Statements of Cash Flow include all adjustments and eliminations of the consolidation process, as well as relevant valuation homogenizations to reconcile balances and transactions between the consolidating companies.

- Balances and transactions between consolidated companies were eliminated in the consolidation process. The credits and debts with group, affiliated and associated companies which have been excluded from the consolidation are presented in the corresponding headings of the assets and liabilities headings of the Consolidated Balance Sheet.

- The deletion of Subsidiary equity investment was conducted by compensating the shareholding of the Parent Company with the proportional part of the net equity of the subsidiaries which is represented by the shareholding on the date of the first consolidation. The first consolidation differences were treated as follows:

  a) Positive differences which cannot be allocated to the equity elements of the Subsidiaries were included in the "Consolidation Goodwill" heading of the Consolidated Balance Sheet. The impairment losses must be recognized in the Consolidated Profit and Loss Account and are irreversible

b) Negative differences, obtained as first consolidation, are recognized as reserves for the year considering that the group already existed previously in the different subgroups contributed to the Parent Company.

- The consolidated income for the financial year shows the part that may be attributed to the Parent Company, comprised of the income obtained by the latter plus the corresponding part, by virtue of the financial shareholding, of the income obtained by the invested companies

- The shareholding value of the minority interests in the equity and the attribution of income in the consolidated subsidiaries is presented in the "Minority Interest" heading of the Equity of the Consolidated Balance Sheet. The value breakdown of these shareholdings is presented in Note 4.

b) Intangible Fixed Assets

Assets included in intangible fixed assets are valued by their cost, whether purchase price or production cost, reduced by the corresponding accumulated amortization and losses from any impairment which, where appropriate, has occurred.

If the Group considers that an intangible asset has an indefinite useful life, since there is no foreseeable limit for the period over which the asset is expected to generate net cash inflows, the intangible asset is not depreciated but is tested for impairment at least once a year. The useful life of an intangible asset that is not being depreciated is reviewed each year to determine whether there are facts and circumstances that would allow the asset to continue to have an indefinite useful life. Otherwise, the useful life is changed from indefinite to definite.

The depreciable amount of an intangible asset is allocated on a systematic basis over its useful life. The amortisation charge for each period is recognised in profit or loss.

Research Costs

Capitalized research and development costs are specifically individualized for projects and their costs are clearly established so they can be spread over time. Similarly, Management the Group has substantial grounds for expecting the technical success and the financial and commercial profitability of these projects

Research and development costs that appear as assets are amortized on a straight-line basis over their useful life, at an annual rate of 20%, and always within a period of 5 years.

As soon as there are reasonable doubts over the technical success or financial and commercial profitability of a project, the values recorded in the asset that apply to it are directly allocated to the financial year's losses.

Computer Applications

Licenses for computer applications purchased from third parties are capitalized on the basis of the costs incurred for purchasing.

Computer applications are amortized on a straight-line basis throughout their useful lives, at an annual rate of 33%.

Maintenance expenses for computer applications incurred during the financial year are recognized in the Consolidated Profit and Loss Account.

Industrial Property

Corresponds to the capitalized development expenses for which the relevant patent or similar has been obtained, and includes the registration and formalization costs for the industrial property, as well as the costs for purchasing the corresponding rights from third parties.

During all these years, the Group has been able to develop methods and unique technologies in its sector by continuous investment in research and development. The result of this effort has been the publication of patents at European, American and PCT levels, putting in value the effort developed during these last years. These patents allow the Group to license this technology to third parties and protect it against possible copies of other actors in the sector, less scrupulous when creating original models.

c) Tangible Fixed Assets

Tangible fixed assets are valued by their acquisition price or production cost, net of the corresponding accumulated amortization and, where appropriate, of the accumulated value of the recognized allowances for impairment.

Repair and maintenance expenses incurred during the financial year are debited in the Consolidated Profit and Loss Account. Costs for renovating, extending or improving intangible fixed assets, representing an increase in capacity, productivity or lengthening of useful life, are capitalized as a higher value of the corresponding assets, once the book values of the replaced items have been de-recognized.

Tangible fixed assets, net of their residual value, where appropriate, are amortized by a straight-line-basis distribution of the various items that constitute these fixed assets over the years of estimated useful life making up the period in which the Group hopes to use them, according to the following table:

	Annual Percentage	Estimated Years of Useful Life
Buildings	2,50	40
Technical facilities	8 - 10	12,50 - 10
Machinery	20 - 25	5 - 4
Other installations	10	10
Furniture	10 - 15	10 – 6,67
Computer equipment	25 - 50	4 - 2
Other tangible fixed assets	15	6,67

The book value of a tangible fixed-asset item is de-recognized in the accounts through its alienation or disposal by other means; or where no future economic benefits or profits are expected to be obtained for its use, alienation or disposal by other means.

The loss or profit resulting from writing-off a tangible fixed-asset item is determined as the difference between the net values, where appropriate, of the sales costs resulting from its alienation or disposal by other means, where available, and the item's book value, and is allocated to the Consolidated Profit and Loss Account for the financial year in which this occurs.

At the financial year's closure, the Group, assesses whether there are signs of impairment in a tangible fixed-asset item or any cash-generating unit, in which case the recoverable amounts are estimated and the necessary allowances are made.

An impairment loss is deemed to have occurred in a tangible fixed-asset item where its book value exceeds its recoverable value, this being understood as the higher value between its fair value less the sales costs and its value in use.

Allowances for impairment in the tangible fixed-asset items, as well as their reversals where the circumstances producing them cease, are recognized as an expense or income respectively in the Consolidated Profit and Loss Account.

d) Leases and Other Transactions of a Similar Nature

Operating-lease expenses incurred during the financial year are debited in the Consolidated Profit and Loss Account.

e) Financial Instruments

The Group determines the classification of its financial assets on their initial recognition and, where permitted and appropriate, this classification is re-assessed on each closing of the consolidated balance sheet.

Financial instruments, for the purposes of their valuation, are classified in any of the following categories:

Loans and Receivable Items and Debts and Payable Items

Loans and Receivable Items

The following are classified under this category:

a) Trade credits: financial assets arising from the sale of assets and the provision of services for commercial transactions, and

b) Non trade credits: financial assets which, being neither equity instruments nor derivatives, have no commercial origins, whose payments are for a fixed or determinable amount, and which are not traded in an active market. They do not include those financial assets for which the Group cannot recover substantially all the initial investments, owing to circumstances unrelated to credit impairment. The latter are classified as available for sale.

Debts and Payable Items

The following are classified under this category:

a) Trade debts: financial debts arising from the purchase of assets and services through commercial transactions, and

b) Non trade debts: financial liabilities which, not being derivate instruments, have no commercial origins.

Initially, financial assets and liabilities included in this category are valued by their fair value, which is the price of the transaction and which is equivalent to the fair value of the consideration paid plus the transaction costs which are directly attributable to it.

Notwithstanding what is stated in the above paragraph, loans and debts through commercial transactions with a maturity not greater than one year and which do not have a contractual rate of interest, as well as, where appropriate, advances and loans made to staff, receivable dividends and called payments on equity instruments, the amounts for which are expected to be received in the short term, and payments called by third parties on holdings, the amounts for which are expected to be paid in the short term, are valued by their nominal value where the effect of not updating the cash flows is of no significance.

In subsequent valuations, both assets and liabilities are valued by their amortized cost. Accrued interest is recognized in the Consolidated Profit and Loss Account by applying the effective interest rate method. Notwithstanding the above, loans and debts with a maturity no greater than one year which are initially valued by their nominal value, remain valued by this amount unless, in the case of loans, they have been impaired.

At the year end, the necessary allowances are made where there is objective evidence of value of a credit having been impaired, i.e. where there is evidence of a reduction or delay in estimated future cash flows corresponding to that asset.

An impairment loss in the value of loans and receivable sums corresponds to the difference between their book value and the current value of the estimated future cash flows to be generated, deducted at the effective interest calculated on their initial recognition.

Allowance for impairment of debts as of December 31, 2016, has been estimated on the basis of the analysis made on each of the individualized outstanding receivables on that date.

De-recognition of Financial Assets

A financial asset, or part of it, is de-recognized where the contractual rights over the cash flows of the financial asset have expired or been assigned, and the risks and benefits attaching to its ownership have been substantially transferred.

De-recognition of Financial Liabilities

A financial liability is de-recognized where the corresponding obligation ceases.

Interest Received from Financial Assets

Interest from financial assets accrued subsequent to their purchase are recognized as income in the Consolidated Profit and Loss Account.

Interests are recognized by using the effective interest rate method. For these purposes in the initial valuation of the financial assets, both the value of the explicit interest, accrued and non-matured at that time, and the value of the dividends agreed to by the competent body on acquisition, are recognized independently, bearing in mind their maturity.

Guarantees Given

Guarantees given and received through operating leases and provision of service are valued by the amount paid out and received respectively.

e) Transactions in Foreign Currencies

Transactions in foreign currencies are recognized by their exchange value in Euros, by using the spot exchange-rate for the dates on which they occur.

On the close of each financial year, monetary items are valued by applying the average spot exchange-rate on that date. Exchange differences, both positive and negative, which result from this process, are recognized in the Consolidated Profit and Loss Account for the financial year in which they arise.

f) Profit Tax

Profit tax is recognized in the Consolidated Profit and Loss Account or directly in the Consolidated Equity depending on where the gains or losses giving rise to it are recognized. Profit tax for each financial year includes both current and deferred taxes, where appropriate.

The current tax amount is the sum to be paid by the Parent Company as a result of the assessment notices for the tax.

Differences between the book value of assets and liabilities, and their tax base, generate the deferred tax asset or liability tax balances which are calculated using the expected tax rates at the time of their reversal, and under the method in which it can be reasonably expected to recover or pay the asset or liability.

Variations arising during the financial year in deferred tax asset or liability are recognized either in the Consolidated Profit and Loss Account or directly in the Consolidated Equity, as applicable.

Deferred tax assets are only recognized insofar as it is probable that the company will have future tax gains that allow these assets to be applied.

In each closing balance sheet the book value of the recognized deferred tax assets is analyzed and the necessary adjustments are made insofar as there are doubts over their future tax recoverability. Likewise, in each closing non-recognized deferred taxes are assessed in the balance sheet and these are subject to recognition to the extent that their recovery with future tax benefits is probable.

g) Income and Expenses

Income and expenses are allocated according to the accrual basis, i.e. where the real flow of goods and services occurs which these represent, irrespective of when the monetary or financial flow deriving from them occurs.

Income resulting from the sale of goods and provision of services is valued by the fair value of the consideration, received or to be received, that derives from these, which, unless there is evidence to the contrary, is the agreed price for these goods or services, less the amount of any discount, reduction or other similar items, as well as the interest incorporated into the face value of the credits.

Income from services is recognized when the result of the transaction can be estimated reliably, considering the percentage of completion of the service at the year-end date. Consequently, only income from the provision of services is accounted for when all and each of the following conditions:

a) The amount of the income can be reliably valued.

b) It is probable that the Group receives financial benefits or profits arising from the transaction.

c) The extent of the transaction carried out, on the date of closure of the financial year, can be reliably valued, and

d) The costs already incurred in the service's provision, as well as those that are yet to be incurred up to its completion, can be reliably valued.

h) Provisions and Contingencies

Debentures existing at the close of the financial year, resulting from past events which may occasion loss in equity for the Group, and whose value and time of cancellation are indeterminate, are recognized on the consolidated balance sheet as provisions and are valued by the current value of the best possible estimate for the amount necessary to cancel the obligation or transfer it to a third party.

i) Grants, Donations and Legacies

Non-refundable capital grants, as well as donations and legacies, are valued by the fair value of the amount granted or of the goods received. They are initially allocated directly as income in the Consolidated equity and recognized in the Consolidated Profit and Loss Account in proportion to the amortization undergone over the period by the assets financed through these grants, unless these are non-depreciable assets, in which case they will be allocated to the earnings of the financial year in which their alienation or de-recognition takes place.

Grants intended for cancelling debts are allocated as income for the financial year in which the cancellation occurs, unless they are received for a specific financing, in which case the allocation is made according to the item that is financed.

Refundable grants are recognized as long-term debt convertible into subsidies until they become non-refundable.

Operation grants are credited to the earnings of the financial year when they accrue.

j) Related-Party Transactions

In general, items forming the subject matter of a related-party transaction are initially recognized by their fair value. The subsequent valuation is made in accordance with the provisions laid down in the corresponding regulations.

k) Cash-Flow Statements

Cash-flow statements use the following expressions according to the meanings given below:

Cash and Equivalents: Cash is both cash in hand and demand deposits. Cash equivalents are financial instruments forming part of the Group's normal cash management, are convertible into cash, have initial maturities no greater than three months and are subject to little significant risk of change in their value.

Cash Stream-flows: inflows and outflows of cash or other equivalent resources, with the latter being understood as investments having terms under three months, high liquidity and low risk of changes in value.

Operating Activities: these are the activities that make up the principal source of the Group's ordinary income, as well as other activities that cannot be classified under investment or financing.

Investment Activities: acquisition, alienation or disposal by other means of long-term assets and other investments not included in cash or cash equivalents.

Financing Activities: activities that lead to changes in the size and composition of the equity and financial liabilities.

NOTE 4. MINORITY INTEREST

The breakdown of the value of minority interests in the equity of the consolidated subsidiaries as the end of the financial year 2016, is as follows, in Euros:

Group Company	Percentage of minority interests shareholders (holdings)	Equity	Others	Period results	Total Minority interests
Lleidanet Guatemala	20%	4.042,50	(139,13)	-	780,67
Lleidanet Honduras	30%	942,17	-	-	282,65
Lleidanet Brasil	0,01%	8.606,04	(2.345,72)	(5.721,21)	1,19
LLeidanet República Dominicana	0,02%	10.318,86	3.063,69	(3.334,28)	2,12
					1.066,63

NOTE 5. INTANGIBLE FIXED ASSETS

The details and changes in intangible fixed assets throughout the financial year 2016 were as follows, in euros:

	01/01/2016	Additions	De-Recognition	Transfers	31/12/2016
Cost:					
Research	8.650.801,99	918.682,68	(1.077.200,10)	-	8.492.284,57
Industrial Property	118.088,28	-	-	70.878,32	188.966,60
Computer applications	172.062,83	8.643,50	-	-	180.706,33
Advances for intangible fixed assets	494.398,12	148.152,37	-	(70.878,32)	571.672,17
	9.435.351,22	**1.075.478,55**	**(1.077.200,10)**	**-**	**9.433.629,67**
Accumulated amortization:					
Research	(4.979.374,90)	(1.037.099,60)	422.388,54	-	(5.594.085,96)
Industrial Property	(10.227,10)	(17.117,24)	-	-	(27.344,34)
Computer applications	(153.704,51)	(16.959,09)	-	-	(170.663,60)
	(5.143.306,51)	**(1.071.175,93)**	**422.388,54**	**-**	**(5.792.093,90)**
Intangible Fixed Assets, Net	**4.292.044,71**	**4.302,62**	**(654.811,56)**	**-**	**3.641.535,77**

The de-recognitions of the financial year correspond to project activations of research and development from previous years that the Group de-recognised based on the best information available at that date. These de-recognitions have generated a loss of 654.913,80 euros in the current year.

Fully-amortized and in-use items

The breakdown, by epigraphs, of the most significant assets which were fully-amortised and in use as of December 31, 2016, is the following, stating their cost values in Euros:

	31/12/2016
Research	3.892.212,03
Patents	1.376,84
Computer applications	167.566,20
	4.061.155,07

NOTE 6. TANGIBLE ASSETS

The details and changes in tangible fixed assets throughout the financial year 2016 is as follows, in euros:

	01/01/2016	Additions	31/12/2016
Cost:			
Land and buildings	172.228,55	-	172.228,55
Technical installations and machinery	258.126,00	-	258.126,00
Other installations, tools and furniture	79.150,73	-	79.150,73
Data processing equipment	254.900,86	16.168,44	271.069,30
Other tangible fixed assets	3.087,87	-	3.087,87
Fixed assets under construction	-	78.051,00	78.051,00
	767.494,01	**94.219,44**	**861.713,45**
Accumulated amortization:			
Land and buildings	(20.289,92)	(4.305,71)	(24.595,63)
Technical installations and machinery	(143.383,55)	(21.127,17)	(164.510,72)
Other installations, tools and furniture	(30.433,86)	(7.763,82)	(38.197,68)
Data processing equipment	(125.528,34)	(43.203,30)	(168.731,64)
Other tangible fixed assets	(2.182,66)	(463,18)	(2.645,84)
	(321.818,33)	**(76.863,18)**	**(398.681,51)**
Tangible Fixed Assets, Net	**445.675,68**	**17.356,26**	**463.031,94**

Fully-Amortized and in-Use Items

The breakdown, by epigraphs, of the most significant assets which were fully-amortised and in use as of December 31, 2016, is shown below stating their cost values in Euros:

	31/12/2016
Technical installations and machinery	43.468,70
Data processing equipment	72.102,06
	115.570,76

NOTE 7. LEASES AND OTHER OPERATIONS OF SIMILAR NATURE

7.1) Financial Leases (the Company as Lessee)

The amount of the contingent payments recognized as an expense in the year 2016 is 241.072,35 euros.

The following is the breakdown of the total amount of the minimum future payments corresponding to the non-cancellable operating leases:

	2016
Up to 1 year	264.085,49
Between 1 and 5 years	201.298,30
More of 5 years	183.998,40
	649.382,19

NOTE 8. FINANCIAL ASSETS

The following is the breakdown of the long-term financial assets:

	Credits and Others Financial Assets 31/12/2016
Loans and receivable items (Note 8.2)	**38.081,86**

The breakdown of the short-term financial assets, is as follows, in euros:

	Credits and Others Financial Assets 31/12/2016
Assets at fair value through the profit and loss:	**1.494.049,36**
Cash or other liquid assets (Note 8.1)	1.494.049,36
Loans and receivable items (Note 8.2)	**3.485.785,08**
Total	**4.979.834,44**

8.1) Assets at Fair Value through the Profit and Loss

Cash and other Equivalent Liquid Assets

The detail of this assets as of December 31, 2016 is as follows, in euros:

	Balance as of 31/12/2016
Current Accounts	1.483.711,96
Cash	10.337,40
Total	**1.494.049,36**

8.2) Loans and Receivable Items

The composition of loans and receivable items as of December 31, 2016 is as follows:

	Balance as of 31/12/2016 Long-Term	Short-Term
Loans and receivables items for commercial transactions		
Costumers	-	2.173.702,32
Debtors	-	57.739,26
Total loans and receivables items for commercial transactions	**-**	**2.231.441,58**
Loans and receivables for non-commercial transactions		
Staff	-	1.338,00
Short-term deposits (*)	-	1.253.005,50
Securities and deposits	38.081,86	-
Total loans and receivables for non-commercial transactions	**38.081,86**	**1.254.343,50**
Total	**38.081,86**	**3.485.785,08**

(*) *Short-term deposits have a maturity to short-term and accrue a market interest rate.*

Trade and other receivables include impairments due to insolvency risks, as detailed below:

	Amount
Accumulated impairment January 1, 2016	**488.616,83**
Impairment losses on trade receivables	-
Accumulated impairment end of financial year 2016	**488.616,83**

NOTE 9. FINANCIAL LIABILITIES

Detail of long-term financial liabilities, is as follows:

	Debts with credit institutions 31/12/2016
Debits and payable items (Note 9.1)	**1.923.559,08**

Detail of short-term financial liabilities, is as follows:

	Debts with credit institutions	Others liabilities	Total
	31/12/2016	31/12/2016	31/12/2016
Debits and payable items (Note 9.1)	**3.131.985,36**	**1.433.407,19**	**4.565.392,55**

9.1) Debits and Payable Items

The breakdown as of December 31, 2016 is as follows, in euros:

	Balance as of 31/12/2016	
	Long-Term	**Short-Term**
For commercial transactions:		
Suppliers	-	1.197.573,01
Creditors	-	182.462,21
Total balances for commercial transactions		**1.380.035,22**
For non-commercial operations:		
Debts with credit institutions	1.800.679,35	3.131.985,36
Other debts	122.879,73	52.962,10
Debits and payable items	**1.923.559,08**	**3.184.947,46**
Staff (remuneration payable)	-	409,87
Total balances for non-commercial operations	**1.923.559,08**	**3.185.357,33**
Total debts and payable items	**1.923.559,08**	**4.565.392,55**

9.1.1) Debts with Credit Institutions

The breakdown of debts with credit institutions as of December 31, 2016 is as follows, in euros:

	Short-Term	Long-Term	Total
Credit lines	1.670.190,72	-	1.670.190,72
Loans	1.262.072,84	1.800.679,35	3.062.752,19
Discounted effects	199.721,80	-	199.721,80
	3.131.985,36	**1.800.679,35**	**4.932.664,71**

Loans

The detail of the bank loans as of December 31, 2016, expressed in Euros, is the following:

Company	Last maturity	Initial amount	Pending closing
Loan 11	30/04/2017	100.000,00	9.202,65
Loan 14	16/02/2018	300.000,00	119.948,52
Loan 16	30/04/2018	250.000,00	83.360,09
Loan 17	18/07/2018	300.000,00	102.240,10
Loan 18	10/10/2018	150.000,00	68.750,00
Loan 19	01/03/2018	300.000,00	127.962,20
Loan 21	12/03/2019	300.000,00	141.222,30
Loan 22	08/10/2019	250.000,00	179.818,59
Loan 24 (*)	15/10/2025	78.375,60	78.375,60
Loan 25	05/12/2018	400.000,00	269.718,34
Loan 27	30/04/2018	125.000,00	59.868,64
Loan 28	14/12/2019	300.000,00	227.371,01
Loan 29	25/02/2020	250.000,00	161.832,24
Loan 30	25/06/2020	150.000,00	132.055,00
Loan 31	14/12/2020	465.000,00	376.225,28
Loan 32	31/12/2020	287.619,11	232.932,04
Loan 34	31/03/2019	350.000,00	272.222,24
Loan 35	29/09/2019	500.000,00	419.647,35
		4.855.994,71	**3.062.752,19**

(*) It corresponds to a loan granted by the CDTI

Credit Lines

As of December 31, 2016, the Group has credit policies granted with a total limit amounting to 1.776.000 euros, which amount drawn at the aforementioned date is 1.670.190,72 euros.

Lines of Discounted Effects and Import Advances

As of December 31, 2016, the Company has discount policies granted with a total limit amounting to 1.175.000 euros, the amount of which is as follows to date 199.721,80 euros.

9.1.2) Other Debts

The balance of other debts includes a debt held by the Group with the Institut Català de Finances (ICF). The amount initially granted by this entity was 336.737,98 euros of which at the end of the year 2016 are pending 176.344,29 euros. The maturity of this debt is April 29, 2020.

9.2) Other Information related to Financial Liabilities

a) Classification by Maturity Date

The breakdown of the maturity dates of the liability financial instruments as the end of the financial year 2016 is the following:

	Maturity years						
	2017	2018	2019	2020	2021	More than 5 years	Total
Financial debts:	**3.131.985,36**	**1.022.099,76**	**531.103,75**	**199.167,90**	**48.307,94**	**-**	**4.932.664,71**
Debts with credit institutions	3.131.985,36	1.022.099,76	531.103,75	199.167,90	48.307,94	-	4.932.664,71
Other debts	**52.962,10**	**53.464,56**	**53.464,56**	**15.950,61**	**-**	**-**	**175.841,83**
Commercial creditors and other payable items:	**1.380.445,09**	-	-	-	-	-	**1.380.445,09**
Suppliers	1.197.573,01	-	-	-	-	-	1.197.573,01
Sundry creditors	182.462,21	-	-	-	-	-	182.462,21
Staff	409,87	-	-	-	-	-	409,87
Total	**4.565.392,55**	**1.075.564,32**	**584.568,31**	**215.118,51**	**48.307,94**	**-**	**6.488.951,63**

b) Breach of Contractual Obligations

No incidence has been produced in breach of the obligations relating to the loans received from third parties.

NOTE 10. INFORMATION ON THE DEFERMENT OF PAYMENTS MADE TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DUTY TO INFORM" OF LAW 15/2010, OF JULY 5

As indicated in the third additional provision. Duty to inform of Law 15/2010, of July 5 (modified by Law 31/2014), to amend Law 3/2004 of December 29, by which are established measures to combat late payment in commercial transactions and with regard to the resolution January 29, 2016, of the Institute of Accounting and Audit Statements, about the information to include in the Notes to the Annual Accounts with regard to the average payment period to suppliers in commercial transactions, is as follows:

	Payments made and pending payment on the Closing Date Balance
	Financial year 2016 Days
Average payment period to suppliers	37,63
Ratio paid operations	36,62
Ratio of outstanding payment transactions	41,72

	Financial year 2016 Days
Total payments	5.977.426,16
Total outstanding payments	1.470.181,66

These Consolidated Financial Statements, in application of the aforementioned resolution, do not present comparative information corresponding to this new reporting obligation, and these Consolidated Financial Statements are classified as initial for exclusive purposes with regard to the application of the principle of uniformity and the comparability requirement of the Consolidated Financial Statements as indicated in Note 2.d.

NOTE 11. INFORMACIÓN SOBRE LA NATURALEZA Y EL NIVEL DE RIESGO PROCEDENTE DE INSTRUMENTOS FINANCIEROS

Group activities are exposed to various types of financial risk, most especially credit, liquidity and market risks (exchange rate, interest rate and other price risks).

11.1) Credit Risk

The Group's main financial assets are cash and cash balances, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is attributable mainly to its commercial debts. The amounts are reflected in the net balance of provisions for bad debts, estimated by the Parent Company's management based on the experience of previous years and its assessment of the current economic environment.

11.2) Liquidity Risk

The general situation of financial markets, especially the banking market, has been particularly unfavourable for credit claimants. The Group pays constant attention to the evolution of the different factors that can help to solve liquidity crises, and especially to the sources of financing and their characteristics.

11.3) Market Risk

The general market situation during the last years has been unfavourable due to the difficult economic situation of the environment.

11.4) Exchange Rate Risk

The Group is not exposed to a significant exchange rate risk and therefore does not trade in hedging instruments.

11.5) Interest Rate Risk

Changes in interest rates modify the fair value of assets and liabilities bearing a fixed interest rate as well as the future flows of assets and liabilities referenced to a variable interest rate.

The objective of interest rate risk management is to achieve a balance in the debt structure that will minimize the cost of debt over the multiannual horizon with a reduced volatility in the Profit and Loss Account.

NOTE 12. EQUITY

12.1) Share Capital of Parent Company

12.1) Share Capital

As of December 31, 2016, the share capital amounts to 320.998,86 euros and is represented by 16.049.943 registered shares of 0,02 euros nominal each, fully subscribed and paid up. These holdings enjoy equal political and economic rights.

The company with a direct or indirect stake equal to or greater than 10% of the share capital is as follows, in euros:

	Nº Shares	% Shares
SESD, FCR	3.413.680	21,27%

Capital Increase

By virtue of the admission to trading on the Alternative Stock Market, the Parent Company carried out the following transactions in its share capital:

- On June 1, 2015, a General Shareholders' Meeting resolved to split the shares of the Parent Company by reducing the par value of the shares by 60,10 euros at a nominal value of 0,02 euros per share. In this operation, 3.005 shares were generated for each old share, with the capital stock being formed by 11.812.655 shares with a nominal value of each share at nominal 0,02 euros each.

- On June 1, 2015, it was agreed by the General Shareholders' Meeting to modify the system of representation of the shares, transforming the nominative securities representing the shares in which the Parent Company's capital is divided into account entries.

- On June 1, 2015, it was resolved by means of a General Meeting of Shareholders to modify the transmission regime of the shares of the Parent Company, passing this transfer of shares to be free and not subject to consent or authorization by the Company nor by shareholders

- On June 1, 2015, it was agreed by the General Meeting of Shareholders to request the incorporation in the segment of Companies in Expansion of the Alternative Stock Market of all the shares representing the Parent Company.

- On September 30, 2015, it was agreed to increase the Parent Company's Capital Stock by 84.745,78 euros through the issuance of 4.237.288 shares with a nominal value of 0,02 euros and a share premium of 1,16 euros per share. This extension is fully subscribed and disbursed.

12.2) Reserves

The breakdown for Reserves is as follows, in euros:

	31/12/2016
Legal Reserve	47.503,72
Voluntary Reserves	1.461.031,56
Negative results from previous years	(1.961.268,90)
	(452.733,62)

12.3) Share Premium

This reserve amounted to 5.244.344,28 euros, of which 329.090,20 euros arose as a result of the capital increase carried out in 2007 and 4.915.254,08 euros arose as a result of the capital increase carried out in the 2015 exercise for the departure of the Parent Company to the Alternative Stock Market. It has the same restrictions and can be used for the same purposes as voluntary reserves, including their conversion into share capital.

12.4) Own Shares

The Board of Shareholders of the Parent Company agreed on June 1, 2015 to authorize the Parent Company's Board of Directors for the derivative acquisition of treasury shares under the terms established by current legislation. These acquisitions of own shares have been made through the liquidity provider Beka Finance, making available a total value of 1.200.000 euros to be able to carry out transactions of own shares, in accordance with the provisions of the Alternative Market and are valued at acquisition cost.

As of December 31, 2016, the Parent Company holds own shares for an amount of 898.227,80 euros.

NOTE 13. FOREIGN CURRENCY

The most significant foreign currency balances at the end of the year 2016, totalled in euros and broken down into their foreign currency equivalent, are as follows:

	EUROS	USD	GBP	COP	DOP
CURRENT ASSETS	**386.829,56**	**183.785,78**	**59.457,57**	**388.955.521,99**	**953.516,88**
Trade debtors and other accounts receivable	209.140,16	110.167,15	59.457,57	71.593.133,00	601.278,11
Cash	177.689,39	73.618,63	-	317.362.388,99	352.238,77
CURRENT LIABILITIES	**318.499,48**	**277.404,96**	**40.130,16**	**16.533.018,23**	**149.929,08**
Trade creditors and other payable accounts	318.499,48	277.404,96	40.130,16	16.533.018,23	149.929,08

The most significant transactions carried out during the year 2016, totalled in euros and broken down into the equivalent in foreign currency, are as follows:

	EUR	USD	GBP	CLP	COP	MXN	ZAR	BRL	DOP
Purchases and services received	276.511,06	165.158,15	21.847,17	8.239.129	239.898.770	24.905,51	44.203,70	28.974,55	166.297,76
Sales and services given	409.586,42	199.222,96	54.130,61	-	45.007.387 0	-	-	6.866,84	106.608,96

NOTE 14. TAX SITUATION

The following is the breakdown of the balances with the Tax Authorities as of December 31, 2016, in euros:

	31/12/2016 Receivable	Payable
Non-current:		
Deferred Tax Assets	138.100,65	-
Current:		
Value Added Tax	1.863,05	5.152,40
Grants receivable (*)	16.532,78	-
Income Tax retentions	-	44.061,57
Company Tax	22.328,12	-
Social Security bodies	3.553,20	41.893,68
	44.277,15	**91.107,65**

Tax Situation

In accordance with current legislation, tax payments cannot be considered final until they have been inspected by the tax authorities, or until the statute barring period of four years has passed.

As of December 31, 2016, the Group has open to tax inspection all the taxes to which it is subject from the financial year 2012 to the 2016 financial year. Consequently, as a result of possible inspections, additional liabilities could arise to those registered by the Group. However, the Directors of the Parent Company and its tax advisors consider that such liabilities, if they occur, would not be significant on the Annual Accounts taken as a whole.

Profit Tax

The conciliation of the net amount of income and expenses for the year 2016 of the Parent Company with the taxable income tax base is as follows:

	Profit and Loss Account		
Financial year's earnings (After taxes)			**(1.407.337,24)**
	Increase	*Decrease*	*Net Effect*
Profit tax	-	-	-
Permanent differences	**17.513,99**	-	**17.513,99**
Taxable income (tax result)			**(1.389.823,25)**

The following are the calculations made with regard to the Company Tax to be paid, in Euros:

	2016
Charge at 25 % of Taxable Income	-
Deductions	-
Net tax payable	-
Less: withholdings and payments	(1.409,87)
Tax payable	**(1.409,87)**

The main components of corporate income tax expense are as follows:

	2016
Current tax	3.280,44
Deferred tax	-
	3.280,44

The movement of deferred taxes generated and cancelled during the year 2016 is detailed below in euros:

	Balance as of 01/01/2016	Generated	Balance as of 31/12/2016
Deferred tax assets:			
Tax credits	138.100,65	-	138.100,65

Deductions Pending Application

As of December 31, 2016, the Group has the following deductions to apply:

Year of Origin	Amount
2005	13.460,45
2006	71.214,06
2007	75.820,66
2008	201.266,41
2009	172.071,08
2010	181.164,26
2011	214.961,29
2012	251.779,01
2013	243.153,60
2014	296.428,70
2015	370.874,02
2016	188.991,46
	2.281.185,00

NOTE 15. INCOME AND EXPENSES

a) Supplies

This heading in the Profit and Loss Account is composed as follows, in Euros:

	2016
Consumption of merchandise	
Domestics	2.451.761,17
Intra-Community Acquisitions	735.606,03
Imports	722.457,63
	3.909.824,83

b) Staff expenses

The staff expenses as in the Profit and Loss Account are composed as follows:

	2016
Company Social Security contributions	355.158,22
Other welfare costs	104.309,63
	459.467,85

c) Financial Results

This heading in the Profit and Loss Account is composed as follows:

	2016
Financial incomes	**5.860,11**
Other financial incomes	5.860,11
Financial expenses	**(183.493,79)**
For debts with credit institutions	(183.493,79)
Change in fair value of financial instruments	(5.801,05)
Exchange differences	400,88
Financial Result Positive / (Negative)	**(183.033,85)**

d) Other Incomes

The Group has registered 482.398,32 euros as Other Results corresponding to a fine imposed by an international operator due to discrepancies in the traffic sent. In the year 2014, an amount of 227.398,32 thousand euros was paid, with the objective of not suffering the cut of the interconnection and were registered within the debtors section, pending as of December 31, 2016 a total of 127 thousand euros ending the payment of the same on April 1, 2017.

NOTE 16. INFORMATION ON THE ENVIRONMENT

The Group has no assets, nor has it incurred expenses, aimed at minimizing the environmental impact and protecting and improving the environment. There are likewise no provisions for risks and expenses and no contingencies relating to protection and improvement of the environment.

NOTE 17. CONTINGENCIES

In 2014 the Group received an invoice from a European operator as an economic fine for the alleged breach of the interconnection contract signed with the Group, which is also considered to be erroneous.

At the end of 2015, the possibility of payment for this contingency remained unlikely, and this contingency was qualified as remote by the Group's legal advisers.

In 2016 this situation was resolved and had an impact on the income statement as detailed in Note 14.d.

NOTE 18. SUBSEQUENT EVENTS

On January 31, 2017 the Group acquired 2% of the company e.Kuantia, a financial company specialising in issuance of payment methods and electronic money, for an amount of 143.880 euros.

NOTE 19. CONSOLIDATED EARNINGS

The following is the breakdown for the financial year 2016 of the Consolidated Earnings in Euros:

Subsidiary	Individual Earnings of the Companies	Shareholding	Earnings Attributed to Parent Company	Earnings Attributed to Minority Interests
Lleidanetworks Serveis Telemàtics, S.A.	(1.407.337,24)	-	(1.407.337,24)	-
Lleidanetworks Serveis Telemàtics, LTD	(17.010,00)	100%	(17.010,00)	-
Lleidanet USA Inc	39.818,23	100%	39.818,23	-
Lleidanet Honduras, SA	-	70%		
Lleidanet Dominicana, SRL	(3.334,28)	99,98%	(3.333,61)	(0,67)
Lleida SAS	(4.153,83)	100%	(4.153,83)	-
Lleida Chile SPA	-	100%	-	-
Lleidanet do Brasil Ltda	(5.721,21)	99,99%	(5.720,64)	(0,57)
Lleidanet Guatemala	-	80%	-	
Portabilidades Españolas, S.A.	-	100%	-	-
Lleidanet Costa Rica	-	100%	-	-
Lleidanet Perú	(3.952,76)	100%	(3.952,76)	-
			(1.401.689,85)	**(1,24)**

The adjustments made to the attributed result associated to Parent Company is as follows:

Individual results attributed to Parent Company	(1.401.689,85)
Consolidation adjustments:	
Transaction elimination	(27.208,09)
Total	**(1.428.897,94)**

NOTE 20. TRANSACTIONS WITH RELATED PARTIES

20.1) Balances and Transactions with the Directors of the Parent Company and Senior Executives

The remuneration accrued during the financial year 2016 by the Board of Directors of the Parent Company amounted to 69.000 euros.

The Senior Management tasks are performed by two members of the same Board of Directors, with compensation for salaries and wages amounting to 164.423,73 euros.

As of December 31, 2016, there are no credits or advances with the Board of Directors of the Parent Company, as well as commitments for pension supplements, guarantees or guarantees granted in its favour.

Other Information Regarding the Board of Directors

Pursuant to the Capital Companies Law, it is reported that the members of the Parent Company's Management Body do not hold interests in other companies with the same, similar or complementary corporate purpose.

In accordance with the above-mentioned Law Capital Companies, it is also reported that the members of the Board have carried out no activity, on their own behalf or on behalf of others, with the Group, which may be considered to be not in accordance with normal trading and not carried out under normal market conditions..

NOTE 21. OTHER INFORMATION

The average number of employees during the financial year 2016, which does not differ significantly from the number of employees at the end of the year, broken down by category and sex, is as follows:

	2016			
	Men	**Women**	**Total**	**Disability greater than or equal to 33%**
Senior Executives	1	1	2	-
Administration	-	3	3	1
Commercial	7	3	10	-
Human Resources	14	4	18	-
Production	-	2	2	-
Maintenance	-	5	5	-
Reception	1	3	4	-
TOTAL	**23**	**21**	**44**	**1**

The fees accrued for the individual and consolidated audit services in the annual accounts for the year ended 31 December 2016 amounted to 19.000 euros. The fee for other verification services for the limited review of the annual accounts amounted to 9.000 euros. In addition, the fees accrued for other services amounted to 8.000 euros.

NOTE 22. SEGMENTED INFORMATION

The distribution of the net amount of turnover corresponding to the ordinary activities of the Group, by category and / or business segment, is shown below:

Business Areas (in thousands of euros)	2016 Euros	%
Certified electronic communications	1.176	15%
SMS Solutions	5.975	74%
Data Validation	804	10%
Other Operations	99	1%
Total	**8.054**	**100%**

The distribution of the net turnover corresponding to the ordinary activities of the Group, by geographic markets, is shown below, in euros:

Description of geographic markets	2016 Euros	%
Domestic	4.780.373,01	59,35%
European Union	1.729.117,24	21,47%
Rest of the World	1.544.531,78	19,18%
Total	**8.054.022,03**	**100%**

GROUP LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2016

GROUP LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2016

1. BUSINESS EVOLUTION

In 2016, the group formed by Lleidanetworks Serveis Telemàtics, S.A. and its subsidiaries (hereinafter Lleida.net group) achieved a gross margin on sales of 51%, with a turnover of 8.054 thousand euros.

- The change of sales mix, with an increasingly important relative weight of sales of products certified as data validation.

- Optimisation of processes through R&D projects has enabled more efficient management of SMS traffic, which has managed to increase profitability.

- The internationalisation of both the ICX and the commercial part has given access to new clients and potential suppliers.

The group has achieved an EBITDA without extraordinary results of 1.130 thousand euros due to the increase in the margin, as well as the containment of operating expenses. EBITDA at the end of the year amounted to 559 thousand euros.

Data in thousands of euros	**TOTAL 2016**
Sales	8.054,00
Cost of sales	(3.910,00)
Gross Margin	4.144,00
Salaries	(1.927,00)
External Services	(2.004,00)
Other incomes	(1,00)
EBIDTA without extraordinary results or activations	**212,00**
Activations	918,00
EBIDTA without extaordinary results	**1.130,00**
Other Results	(486,00)
Compensations	(85,00)
EBIDTA	**559,00**
Amortization	(1.147,00)
Impairment and results from disposals	(655,00)
Operating result	**(1.243,00)**
Financial expenses and incomes	(183,00)
Profit before taxes	**(1.426,00)**

The Lleida.net Group continues with its strategy focused on innovation, with continuous investments in R&D for the development and launch of new products, as well as in internationalization. In 2016, the Group opened new subsidiaries in Latin America, specifically in Costa Rica and Peru. The subsidiary in the United States is already showing positive results, thanks to the acquisition of new customers, and the Colombian subsidiary is close to generating profits and has enabled one person to be added to the workforce in December.

2. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On February 2, 2017, the parent company, Lleidanetworks Serveis Telemàtics, S.A. bought 2% of Sociedad e.Kuantia EDE, a financial entity specialized in issuing means of payment and electronic money. This investment is part of the Platform4Equity program developed by Lleida.net to invest and support companies with wide potential for using electronic certification and contracting services developed by the Company.

In January, the South African Patent Office and the Taiwan Patent Office have granted the patent applied for by the technology company Lleida.net for its product of reception of certified electronic mail with the denomination METHOD FOR THE REGISTRATION AND CERTIFICATION OF RECEIPT OF ELECTRONIC MAIL of numbers 2015/02567 and I555353 respectively. This is the first patent received by Lleida.net in the South African and Taiwanese market for this service, with a validity of 20 years also respectively from the date of filing.

In February, the Company received notification from the European Patent Office of the grant of European patent EP2632096 - Method for certifying delivery of electronic Messages valid for 20 years. The granting of this European patent will allow to protect the method developed by Lleida.net in 38 countries among which are countries such as Spain, Germany, France, England, Holland, Italy, Norway and Sweden among others and joins those already granted by the same method in Japan and USA. At the same time, the granting of this patent allows Lleida.net to have a competitive advantage since the sending of certified e-mails is a key piece for the development of online services, especially banking and insurance world, in addition to services fintech and insurtech.

3. PROBABLE EVOLUTION OF THE GROUP

The forecasts for 2017 are to increase the group's gross margin, reinforcing sales of certified products and increasing the profitability of SMS sales and data validation.

In relation to international sales, we have significant growth in LATAM, and relevant agreements have been signed with international partners in EMEA.

4. RESEARCH ACTIVITIES

In 2016, the group invested 917 thousand euros in research activities which focused on the development of the e-mail certificate, the development of the data structure and the development of the RIU project.

RIU is the platform for identification by videoconference in onboarding processes, developed especially for the financial sector.

It complies with the authorisation for non-attendance identification procedures issued on 12 February 2016 by SEPBLAC (Commission for the Prevention of Money Laundering and Monetary Offences).

5. OPERATIONS WITH OWN SHARES

In accordance with the regulations of the Alternative Stock Market, the company signed a liquidity agreement with the placing bank on the occasion of its market launch. This agreement establishes both the delivery of a certain amount of own shares and the deposit of an amount of cash. The objective of this contract is to allow investors to trade the company's shares, ensuring that any interested person has the possibility of buying or selling shares.

On August 12, 2016, the Board of Directors approved the acquisition of own shares with a maximum amount of 200 thousand euros.

As of 31 December 2016, the parent company held 816.991 shares with a valuation on that date of 506.534,42 euros, which represented 5.09% of the shares of Lleidanetworks Serveis Telemàtics, S.A.

6. RISK AND UNCERTAINTY

At the date of preparation of this Directors' Report, no other significant risks or additional uncertainties have been identified that could affect the good running of the group of companies.

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PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND DIRECTOR'S REPORT

In compliance with company law, the Board of Directors of **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES** draws up the Consolidated Annual Accounts and the Consolidated Director's Report for the financial year 2016, which comprises the attached pages number 1 to 39.

Lleida, March 29, 2017
The Board of Directors

D. Francisco Sapena Soler Chairman and Chief Executive Officer	D. Marcos Gallardo Meseguer Secretary
D. Miguel Pérez Subias Independent Director	D. Antonio López del Castillo Independent Director
D. Jordi Carbonell i Sebarroja Independent Director	Dña. Arrate María Usandizaga Ruíz Executive Director
D. David Ángel Pereira Rico External Director	Institut Català de Finances Capital, S.G.E.I.C., S.A.U. Represented by D. Emilio Gómez Jané External Director