




LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES

CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTOR'S REPORT FOR THE FINANCIAL YEAR 2017 TOGETHER WITH THE AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS ISSUED BY AN INDEPENDENT AUDITOR

(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 a discrepancy, the Spanish-language version prevails)





**LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.
AND SUBSIDIARIES**

Consolidated Annual Accounts and Consolidated
Director's Report for the financial year 2017 together
with the Audit Report on the Consolidated
Annual Accounts issued by an Independent Auditor

**AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS ISSUED BY AN INDEPENDENT
AUDITOR**

CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

Consolidated Balance Sheets as of December 31, 2017 and December 31, 2016
Consolidated Income and Expenses Statement for the year ended on December 31, 2017 and
December 31, 2016.
Consolidated Statements of Changes in Equity for the year ended on December 31, 2017 and
December 31, 2016.
Consolidated Statements of Cash Flows for the year ended on December 31, 2017 and
December 31, 2016.
Notes to the Consolidated Annual Accounts 2017

CONSOLIDATED DIRECTORS' REPORT FOR THE YEAR ENDED ON DECEMBER 31, 2017



**LLEIDANET SERVEIS TELEMÀTICS, S.A.
AND SUBSIDIARY COMPANY**

**AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
ISSUED BY AN INDEPENDENT AUDITOR**

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

**Audit report on the consolidated financial statements
Issued by an independent auditor**

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

Opinion

We have audited the consolidated financial statements of **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.** (the Parent) **AND ITS SUBSIDIARIES** (the Group), which comprise the consolidated balance sheet at December 31, 2017, the consolidated income statement, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements give, in all material respects, a true and fair view of the Company's equity and financial position at December 31, 2017, as well as its consolidated results and cash flows for the financial year ending on said date, in accordance with the application of the regulatory framework of financial information (identified in note 2.a of the consolidated annual report) and, in particular, with the accounting principles and criteria contained therein.

Basis of opinion

We have performed our audit in accordance with the regulations governing the auditing of accounts in force in Spain. Our responsibilities under these standards are described below in the section on the auditor's responsibilities for the audit of the annual accounts in our report.

We are independent from the Group in accordance with the ethical requirements, including those of independence, which are applicable to our audit of the financial statements in Spain as required by the regulations governing the activity of auditing accounts. Accordingly, we have not provided services other than those of the audit of accounts nor have concurred situations or circumstances that, in accordance with the provisions of the aforementioned governing regulations, have compromised the necessary independence.

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

Key audit issues

The key audit matters are matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and in the formation of our opinion on these and we do not express a separate opinion on those matters.

Key audit issues	Audit response
<p data-bbox="272 450 798 488">Valuation of capitalized research expenditures</p> <p data-bbox="272 510 798 929">As described in notes 3.b and 5 of the attached consolidated Annual Accounts, the Group has intangible assets capitalised regarding research project expenses of a significant amount. These expenses must be specifically identified by projects and have economic-commercial profitability reasons, among other requirements, in order to be capitalised in the Group's balance sheet. In addition, the evaluation by management and administrators of the Parent Company of its recoverable value or the need for impairment implies the making of value judgments and estimates. For these reasons, we have considered the valuation of these assets as a key issue of our audit.</p>	<p data-bbox="798 450 1329 510">We have carried out the following audit procedures, among others:</p> <ul data-bbox="798 533 1329 1529" style="list-style-type: none"><li data-bbox="798 533 1329 593">- Understanding of the policies and procedures applied by the Group.<li data-bbox="798 616 1329 784">- We have analysed a sample of the capitalisation of the projects during the year, obtaining evidence such as the hours and cost of the same incurred by the workers in the different projects and the cost of external collaborations.<li data-bbox="798 806 1329 929">- We have obtained the certificates issued by an independent third party on the projects regarding the validity of the capitalised amounts.<li data-bbox="798 952 1329 1142">- We have analysed the sales projections of the different projects, improvements in profitability and actual sales for the year, with the aim of analysing the goodness of the data, the reasonableness of the hypotheses, the degree of compliance to date and the deviations in past estimates.<li data-bbox="798 1164 1329 1288">- We have verified the correct amortization of the different projects activated based on the useful life of the aforementioned projects.<li data-bbox="798 1310 1329 1529">- Finally, we have verified that the notes to the accompanying consolidated annual accounts include the related disclosures required by the applicable financial reporting framework. In this respect, notes 3 b and 5 to the accompanying consolidated annual accounts include the aforementioned disclosures.

Key audit issues	Audit response
Application of the going concern principle	We have carried out the following audit procedures, among others:
<p>As described in note 2.c. from the attached consolidated report, the Group presents, as of December 31, 2017, a negative working capital amounting to 565,595 euros.</p>	<ul style="list-style-type: none">- Understanding of the policies and procedures applied by the Group in the process of estimating the Business Plan and Treasury Budget.
<p>Also, given the degree of indebtedness, it is necessary for the Group to comply with its business plan, as well as the achievement of new financing through new loans and renewal of credit policies. During fiscal year 2017, as well as during fiscal year 2018, up to the date of this audit report, the Group is generating a positive cash flow and both the renewal of policies and the hiring of a new loan are taking place.</p>	<ul style="list-style-type: none">- Obtaining the Business Plan and Treasury Budget prepared by the Parent Company Management.- Obtaining support documentation regarding both the contracting of new loans and the renewal of credit policies when due.
<p>These circumstances are factors causing doubts regarding the application of the going concern principle in the draw up of the consolidated annual accounts, since they imply the realization of value judgments and estimates. For these reasons, we have considered the application of the going concern principle as a key issue of our audit.</p>	<ul style="list-style-type: none">- We have analyzed the reasonableness of the estimates and assumptions of the Business Plan and the Treasury Budget, made by the Parent Company's directors, through meetings with the Group Management and verification of verifiable data, both of the key assumptions used, as well as concordance of these with those used in previous periods by the Group.- We have evaluated the goodness of the Management's forecasts comparing the deviations and reasons for these between the budgeted and actual figures corresponding to the last years.- We have analyzed the degree of compliance of both the Business Plan and the Treasury Budget based on figures for the 2018 financial year, and we have analyzed the financial situation to date.- Finally, we have verified that the notes to the accompanying consolidated annual accounts include the related disclosures required by the applicable financial reporting framework. In this respect, notes 2 c to the accompanying consolidated annual accounts include the aforementioned disclosures.

Other information: Management report

The other information comprises exclusively the management report for the financial year 2017, the formulation of which is the responsibility of the Parent's directors and does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated annual accounts does not cover the consolidated annual report. Our responsibility over the consolidated management report, in accordance with what is required by the regulations governing the audit activity, consists of evaluating and reporting on the consistency of the consolidated management report with the consolidated financial statements, based on the knowledge of the Entity obtained in performing the audit of the aforementioned consolidated accounts and without including information other than that obtained as evidence during the same. Likewise, our responsibility is to evaluate and report that the content and presentation of the management report are in accordance with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are obliged to report this.

Based on the work performed, as described in the preceding paragraph, the information contained in the consolidated management report agrees with that in the consolidated financial statements for financial year 2017 and its content and presentation are in accordance with the applicable regulations.

The responsibility of the management and the audit in the respect committee of the consolidated financial statements

The management of the Parent are responsible for formulating the accompanying financial statements so that they give a true image of the consolidated assets, the consolidated financial situation and the consolidated results of the Company, in accordance with the regulatory framework on financial information applicable to the Entity in Spain, and of the internal control that they consider necessary to allow the preparation of the financial statements free of material misstatement, due to fraud or error.

In the preparation of the consolidated financial statements, the management are responsible for assessing the Company's ability to continue as a going concern, revealing, as appropriate, the matters related with a company in operation and using the accounting principle of a going concern except if the management intend to liquidate the Company or cease operations, or if there is no other realistic alternative.

The Parent's audit committee is responsible for supervising the preparation and presentation of the consolidated financial statements.

The auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement, due to fraud or error, and to issue an audit report that contains our opinion.

Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with the regulations governing the audit activity in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the regulations governing the account auditing activity in Spain, we exercise professional judgment and maintain an attitude of professional scepticism throughout the entire audit. Also:

- We identify and assess the risks of material misstatement in the consolidated financial statements, due to fraud or error, design and perform audit procedures to respond to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or circumvention of internal control.
- We obtain knowledge of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and disclosures by the Parent's directors.
- We conclude whether the use, by the Parent's directors, of the accounting principle of the Group as a going concern is adequate and, based on the audit evidence obtained, we conclude on whether or not there is material uncertainty related to events or conditions that can generate significant doubts about the ability of the Group to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in our audit report to the corresponding information disclosed in the financial statements or, if such disclosures are not adequate, we express a modified opinion. Our conclusions are based on the audit evidence obtained at the date of our audit report. However, future events or conditions may cause the Group to cease to be a going concern
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with the Parent's audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the course of the audit.

We also required the Parent's audit committee with a statement that we have complied with the relevant ethical requirements, including those of independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Among the matters that have been communicated to the Group's audit committee, we determine those that have been of the greatest significance in the audit of the financial statements for the current period and that are, consequently, the key issues of the audit.

We describe these matters in our audit report unless legal or regulatory provisions prohibit public disclosure of the matter.

Report on other legal and regulatory requirements

Additional report to the Parent's Audit Committee

The opinion expressed in this report is consistent with that expressed in our additional report to the Parent's Audit Committee dated 12 March 2018.

Contract period

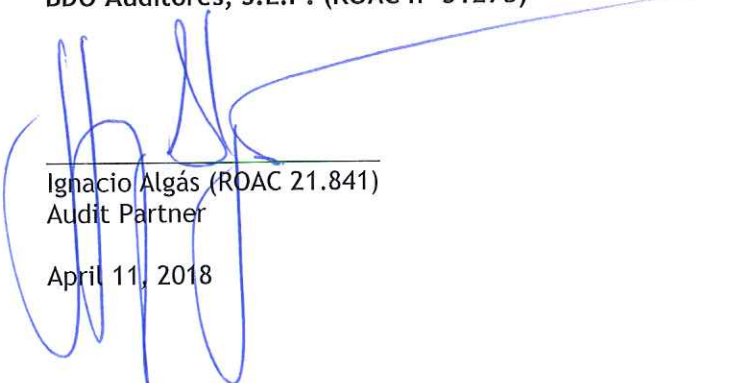
The Extraordinary General Shareholders' Meeting held on June 13, 2016 appointed us as the Group's auditors for a period of three years, starting from the year ended December 31, 2016.

Previously, we were appointed by resolution of the General Shareholders' Meeting for the three-year period and we have been auditing the accounts uninterruptedly since the year ended December 31, 2007, and the Parent Company has been a Public Interest Entity (PIE) since 2015.

Services provided

The services, other than the audit of accounts, provided to the Group are detailed in Note 20 to the consolidated financial statements.

BDO Auditores, S.L.P. (ROAC nº S1273)



Ignacio Algás (ROAC 21.841)
Audit Partner

April 11, 2018

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.
AND SUBSIDIARIES

CONSOLIDATED ANNUAL ACCOUNTS FOR
THE PERIOD ENDED ON DECEMBER 31, 2017

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2017 AND 2016

(Expressed in Euros)

ASSETS	Notes to the Consolidated Annual Accounts	31/12/2017	31/12/2016
NON-CURRENT ASSETS		4.579.953,77	4.306.218,46
Intangible assets	Note 5	3.847.507,50	3.641.535,77
Tangible fixed assets	Note 6	387.817,47	463.031,94
Land and buildings		143.327,21	147.632,92
Technical installations and other tangible fixed assets		244.490,26	237.348,02
Fixed assets in the course of construction and advances		-	78.051,00
Long-term investments in group and affiliated companies		16.708,11	25.468,24
Shares in equity method		16.708,11	25.468,24
Long-term financial investments	Note 8	189.820,04	38.081,86
Deferred Tax Assets	Note 14	138.100,65	138.100,65
CURRENT ASSETS		4.056.611,85	5.249.790,42
Trade and other receivables		2.289.412,62	2.278.152,30
Client receivables for sales and services	Note 8.2	2.172.207,60	2.173.702,32
Sundry debtors	Note 8.2	38.993,92	57.739,26
Staff	Note 8.2	4.625,00	1.338,00
Current tax assets	Note 14	29.693,49	22.328,12
Other receivables from Public Authorities	Note 14	43.892,61	23.044,60
Short-term financial assets	Note 8.2	1.012.416,64	1.253.005,50
Short-term accruals		224.784,46	224.583,26
Cash and cash equivalents	Note 8.1.a	529.998,13	1.494.049,36
Cash		529.998,13	1.494.049,36
TOTAL ASSETS		8.636.565,62	9.556.008,88

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2017 AND 2016
 (Expressed in Euros)

EQUITY AND LIABILITIES	Notes to the Consolidated Annual Accounts	31/12/2017	31/12/2016
EQUITY		2.871.332,11	2.816.947,10
Equity		2.765.485,06	2.785.483,78
Capital	Note 12.1	320.998,86	320.998,86
Share Capital		320.998,86	320.998,86
Issue Premium	Note 12.3	5.244.344,28	5.244.344,28
Reserves	Note 12.2	(1.923.760,42)	(452.733,62)
Legal and statutory		47.503,72	47.503,72
Other Reserves		(1.971.264,14)	(500.237,34)
(Shares and own holdings in equity)	Note 12.4	(935.557,23)	(898.227,80)
Financial year result attributed to the parent company	Note 18	59.460,37	(1.428.897,94)
Consolidated Losses and Profits		59.457,38	(1.428.896,70)
(Minority interest losses and profits)		2,99	(1,24)
Adjustments for changes in value		105.158,54	30.396,69
Minority interests	Note 4	687,71	1.066,63
NON-CURRENT LIABILITIES		1.143.026,35	1.923.559,08
Long-term debts		1.143.026,35	1.923.559,08
Debts with credit institutions	Note 9.1	1.023.296,73	1.800.679,35
Financial lease debts	Note 9.1	48.443,90	-
Other financial liabilities	Note 9.1	71.285,72	122.879,73
CURRENT LIABILITIES		4.622.207,16	4.815.502,70
Short-term provisions		31.320,00	159.002,50
Other provisions		31.320,00	159.002,50
Short-terms debts	Note 9.1	2.809.564,64	3.184.947,46
Debts with credit institutions		2.732.604,86	3.131.985,36
Financial lease debts		19.454,57	-
Other financial liabilities		57.505,21	52.962,10
Trade and other payables		1.781.322,52	1.471.552,74
Suppliers	Note 9.1	1.125.581,58	1.197.573,01
Sundry creditors	Note 9.1	373.877,19	182.462,21
Staff (remuneration payable)	Note 9.1	2.053,13	409,87
Other debts with Public Authorities	Note 14	100.966,77	91.107,65
Advances from clients	Note 9.1	178.843,85	-
TOTAL EQUITY AND LIABILITIES		8.636.565,62	9.556.008,88

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME AND EXPENSES STATEMENT
FOR THE YEAR ENDED ON DECEMBER 31, 2017 AND 2016

(Expressed in Euros)

PROFIT AND LOSS ACCOUNTS	Notes to the Consolidated Annual Accounts	2017	2016
Net turnover	Note 21	9.881.552,38	8.054.022,03
Work performed by the Company for its assets	Note 5	848.957,59	918.682,68
Supplies	Note 15.a	(4.638.470,87)	(3.909.824,83)
Goods consumed		(4.638.470,87)	(3.909.824,83)
Other operating income		43.440,19	(790,64)
Staff expenses		(2.318.339,63)	(2.012.317,34)
Wage, salaries and the like		(1.756.066,42)	(1.552.849,49)
Fringe benefits	Note 15.b	(562.273,21)	(459.467,85)
Other operating expenses		(2.449.198,78)	(2.004.130,81)
External charges for services		(2.326.222,98)	(1.861.472,52)
Taxes		(33.158,84)	(101.619,25)
Losses, Impairment and change in trade provisions		(86.875,54)	(35.014,32)
Other current operating expenses		(2.941,42)	(6.024,72)
Amortization of fixed assets	Notes 5 and 6	(1.078.247,14)	(1.147.115,06)
Impairment and earnings for fixed-asset disposals	Note 5	-	(654.913,80)
Other earnings	Note 15.d	(20.963,19)	(486.194,64)
OPERATING EARNINGS		268.730,55	(1.242.582,41)
Financial income	Note 15.c	17.688,78	5.860,11
Financial expenses	Note 15.c	(131.462,99)	(183.493,79)
Change in fair value of financial instruments	Note 15.c	387,35	400,88
Exchange differences	Note 15.c	(95.660,11)	(5.801,05)
FINANCIAL EARNINGS		(209.046,97)	(183.033,85)
PRE-TAX EARNINGS		59.683,58	(1.425.616,26)
Profit tax	Note 14	(226,20)	(3.280,44)
FINANCIAL YEAR'S EARNINGS	Note 18	59.457,38	(1.428.896,70)
Result attributed to the Parent Company		59.460,37	(1.428.897,94)
Result attributed to minority interests		(2,99)	1,24

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED ON DECEMBER 31, 2016 AND 2017

(Expressed in euros)

	Share Capital	Share Premium	Reserves and previous financial year's income	Own 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
Total recognized income and expenses	-	-	-	-	59.460,37	74.761,85	(378,92)	133.843,30
Transactions with shareholders:	-	-	(42.369,86)	(37.329,43)	-	-	-	(79.699,29)
Transactions with own equity instruments (net)	-	-	(42.369,86)	(37.329,43)	-	-	-	(79.699,29)
Other changes in equity:	-	-	(1.428.656,94)	-	1.428.897,94	-	-	241,00
Distribution of earnings from the previous year	-	-	(1.428.897,94)	-	1.428.897,94	-	-	-
Others movements	-	-	241,00	-	-	-	-	241,00
BALANCE AS OF JUNE 30, 2017	320.998,86	5.244.344,28	(1.923.760,42)	(935.557,23)	59.460,37	105.158,54	687,71	2.871.332,11

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR 2017 AND 2016

(Expressed in Euros)

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES	1.389.529,21	857.616,42
Financial year's pre-tax earnings	59.683,58	(1.425.616,26)
Adjustments to earnings	1.150.827,09	2.173.278,48
Fixed asset amortisation	1.078.247,14	1.147.115,06
Valuation changes for impairment	86.875,54	35.014,32
Change in provisions	(127.682,45)	159.002,50
Result for write-off's and disposals of fixed assets	-	654.913,80
Financial income	(17.688,78)	(5.860,11)
Financial expenses	131.462,99	183.493,79
Change in fair value of financial instruments	(387,35)	(400,88)
Changes in current capital	300.384,32	308.038,22
Debtors and other accounts receivable	(90.770,49)	(71.341,43)
Other current assets	(201,20)	(68.448,13)
Trade payables and other accounts payable	391.356,01	447.827,78
Other cash flow from operating activities	(121.365,78)	(198.084,02)
Interest payments	(131.462,99)	(183.493,79)
Receipts of interests	17.688,78	5.860,11
Receipts (payments) for profit tax	(7.591,57)	(20.450,34)
CASH FLOW FROM INVESTMENT ACTIVITIES	(1.117.965,60)	(2.181.299,42)
Payments for investments	(1.207.203,63)	(2.181.299,42)
Intangible assets	(1.174.190,27)	(1.075.376,31)
Tangible assets	(33.013,36)	(94.219,44)
Other financial assets	-	(1.011.703,67)
Receivables from disposals	89.238,03	-
Other financial assets	89.238,03	-
CASH FLOW FROM FINANCING ACTIVITIES	(1.235.614,84)	(1.477.788,99)
Receipts and payments for equity instruments	(79.699,29)	(71.275,47)
Acquisition of own equity instruments	(79.699,29)	(71.275,47)
Receipts and payments for financial-liability instruments	(1.155.915,55)	(1.406.513,52)
Issuance	-	850.000,00
Amounts owed to credit institutions	-	850.000,00
Repayment and amortisation of:	(1.155.915,55)	(2.256.513,52)
Amounts owed to credit institutions	(1.108.864,65)	(2.203.739,87)
Others	(47.050,90)	(52.773,65)
NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS	(964.051,23)	(2.801.471,99)
Cash and cash equivalents at start of the financial year	1.494.049,36	4.295.521,35
Cash and cash equivalents at end of the financial year	529.998,13	1.494.049,36

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
FOR THE FINANCIAL YEAR 2017

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. On October 7,2017, the Company approved the change of its registered office located in General Lacy, number 42, Planta Baja - Local I, Madrid. In the previous year its registered office was located in the Parc Científic i Tecnològic Agroalimentari de Lleida, Edificio H1, Planta 2, in Lleida.

On June 30,2011, the General Shareholders' Meeting resolved the transformation from a Limited Company to a Public Limited Company. On December 12,2011, the agreement reached at the aforementioned meeting was submitted to the Mercantile Registry on February 17,2012.

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 consist 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) Quotation in the Alternative Stock Market

On June 1st, 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 7th, 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 1st, 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, 2017 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 1st of January and ends on 31st of December 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, 2017.

Detail of activities and registered office of the Subsidiaries included in the perimeter of consolidation as of December 31, 2017, 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 Lleidatnetworks Serveis Telemàtics, S.A. subscribed in entirety.

Lleidanet Honduras, S.A.

Its registered office in Tegucigalpa (Honduras), it was incorporated on January 11, 2012 subscribing, Lleidatnetworks 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, Lleidatnetworks 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, Lleidatnetworks 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, Lleidatnetworks 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, Lleidatnetworks 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, Lleidatnetworks 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 Telemàtics 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 2017 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

As of December 31, 2017, the Group had a negative working capital of 565,595.31 euros. However, the Parent's Board of Directors considers that the degree of compliance with the business plan established by the Group, together with cash flows from positive operations in the last four quarters accompanied by an increase in sales and gross margin, do not make it difficult to foresee a problem for meeting short-term liabilities or difficulties in renewing existing credit facilities. The Group is also negotiating with the various financial institutions to arrange long-term loans to replace policies with short-term maturities in order to improve the Group's financial position. They have therefore prepared these consolidated annual accounts in accordance with the principle of going concern.

Except as mentioned in the preceding paragraph, 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 deal:

- 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 fragmented 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 prepares Consolidated Annual Accounts, the accompanying balance sheet, the profit and loss account, the statement of changes in equity and the consolidated statement of cash flows for the year ended December 31, 2017 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 prepares 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.

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 and Development 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, 2017, has been estimated on the basis of the analysis made on each of the individualized outstanding receivables on that date.

Financial Assets Available for Sale

This category includes debt securities and equity instruments from other companies not classified in any of the preceding categories.

Subsequently, they are valued by their fair value, without deducting the transaction costs that might be incurred in their alienation. Changes in fair value are directly recognized in the equity, until the financial asset leads to de-recognition or is impaired, where the value so recognized is allocated to the Consolidated Profit and Loss Account.

Notwithstanding the above, allowances for impairment and losses and gains which arise from exchange differences in monetary financial assets in foreign currency are recognized in the Consolidated Profit and Loss Account rate.

The value of both the interest, calculated under the effective interest method, and the accrued dividends are also recognized in the Consolidated Profit and Loss Account.

Investments in equity instruments whose fair value cannot be reliably determined are valued by their cost, less, where appropriate, the accumulated value of the allowances for impairment.

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.

f) 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, as well as those generated on selling off equity items, are recognized in the Consolidated Profit and Loss Account for the financial year in which they arise.

g) 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 companies 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.

h) 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.

I) 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.

j) 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.

k) 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.

l) 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 2017, is as follows, in Euros:

Group Company	Percentage of minority interests shareholders (holdings)	Equity	Others	Period results	Total Minority interests
Lleidanet Guatemala	20%	4.035,40	(591,71)	-	688,75
Lleidanet Honduras	30%	-	-	-	-
Lleidanet Brasil	0,01%	2.884,83	(1.317,49)	(11.812,17)	(1,02)
Lleidanet República Dominicana	0,02%	6.984,57	1.976,20	(9.051,35)	(0,02)
					687,71

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 2017 were as follows, in euros:

	31/12/2016	Additions	De-Recognition	Transfers	30/06/2017
Cost:					
Research	8.492.284,57	848.957,59	-	-	9.341.242,16
Industrial Property	188.966,60	-	-	199.584,39	388.550,99
Computer applications	180.706,33	40.951,57	-	-	221.657,90
Advances for intangible fixed assets	571.672,17	284.281,11	-	(199.584,39)	656.368,89
	9.433.629,67	1.174.190,27	-	-	10.607.819,94
Accumulated amortization:					
Research	(5.594.085,96)	(920.014,51)	-	-	(6.514.100,47)
Industrial Property	(27.344,34)	(38.186,67)	-	-	(65.531,01)
Computer applications	(170.663,60)	(10.017,36)	-	-	(180.680,96)
	(5.792.093,90)	(968.218,54)	-	-	(6.760.312,44)
Intangible Fixed Assets, Net	3.641.535,77	205.971,73	-	-	3.847.507,50

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 previous financial year corresponded 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 generated a loss of 654.913,80 euros in the previous 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, 2017 and 2016, is the following, stating their cost values in Euros:

	31/12/2017	31/12/2016
Research	4.786.791,68	3.892.212,03
Patents	1.376,84	1.376,84
Computer applications	167.566,20	167.566,20
	4.955.734,72	4.061.155,07

NOTE 6. TANGIBLE ASSETS

The details and changes in tangible fixed assets throughout the financial year 2017 were as follows, in euros:

	31/12/2016	Additions	De-Recognition	Others movements	31/12/2017
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	271.069,30	33.013,36	78.051,00	382.133,66	33.013,36
Other tangible fixed assets	3.087,87	-	-	3.087,87	-
Fixed assets under construction	78.051,00	-	(78.051,00)	-	-
	861.713,45	33.013,36	-	894.726,81	33.013,36
Accumulated amortization:					
Land and buildings	(24.595,63)	(4.305,71)	-	(28.901,34)	(4.305,71)
Technical installations and machinery	(164.510,72)	(19.955,77)	-	(184.466,49)	(19.955,77)
Other installations, tools and furniture	(38.197,68)	(7.356,08)	-	(45.553,76)	(7.356,08)
Data processing equipment	(168.731,64)	(76.168,24)	-	(244.899,88)	(76.168,24)
Other tangible fixed assets	(2.645,84)	(442,03)	-	(3.087,87)	(442,03)
	(398.681,51)	(108.227,83)	-	(506.909,34)	(108.227,83)
Tangible Fixed Assets, Net	463.031,94	(75.214,47)	-	387.817,47	(75.214,47)

The details and changes in tangible fixed assets throughout the financial year 2016 were 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, 2017 and 2016, is shown below stating their cost values in Euros:

	31/12/2017	31/12/2016
Technical installations and machinery	43.468,70	43.468,70
Data processing equipment	129.448,92	72.102,06
	172.917,62	115.570,76

NOTE 7. LEASES AND OTHER OPERATIONS OF SIMILAR NATURE**7.1) Financial Leases (the Company as Lessee)**

The Company has the following assets financed through financial lease agreements as of December 31, 2017, in euros:

	Fair Value	Value of the purchase option	Due Date	Signature date	Outstanding dues
Computer equipment	80.798,12	1.707,27	04/04/2021	04/05/2017	67.898,47

The following is the total amount of future payments in financial leases at the end of the financial year is the following:

	Financial year 2017
Total amount of minimum future payments at the close of the year	68.290,80
(-) Non-accrued financial expenses	(2.099,60)
Value of the purchase option	1.707,27
Current value at the close of the year	67.898,47

7.2) Operating Leases (the Company as Lessee)

The amount of the contingent payments recognized as an expense in the year 2017 is 330.886,92 euros (241.072,35 euros in the previous year).

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

	2017	2016
Up to 1 year	298.328,98	264.085,49
Between 1 and 5 years	160.606,02	201.298,30
More of 5 years	170.695,80	183.998,40
	629.630,80	649.382,19

NOTE 8. FINANCIAL ASSETS

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

	Equity instruments 31/12/2017	Equity instruments 31/12/2016	Credits and Others Financial Assets 31/12/2017	Credits and Others Financial Assets 31/12/2016
Loans and receivable items (Note 8.2)	-	-	35.742,64	38.081,86
Financial assets available for sale (Note 8.3)	154.077,40	-	-	-
Total	154.077,40	-	35.742,64	38.081,86

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

	Credits and Others Financial Assets 31/12/2017	Credits and Others Financial Assets 31/12/2016
Assets at fair value through the profit and loss: Cash or other liquid assets (Note 8.1)	529.998,13	1.494.049,36
Loans and receivable items (Note 8.2)	3.228.243,16	3.485.785,08
Total	3.758.241,29	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, 2017 and 2016 is as follows, in euros:

	Balance at 31/12/2017	Balance at 31/12/2016
Current Accounts	520.079,17	1.483.711,96
Cash	9.918,96	10.337,40
Total	529.998,13	1.494.049,36

8.2) Loans and Receivable Items

The composition of loans and receivable items as of December 31, 2017 and 2016 is as follows:

	Balance at 31/12/2017		Balance at 31/12/2016	
	Long-Term	Short-Term	Long-Term	Short-Term
Loans and receivables items for commercial transactions				
Costumers	-	2.172.207,60	-	2.173.702,32
Debtors	-	38.993,92	-	57.739,26
Total loans and receivables items for commercial transactions	-	2.211.201,52	-	2.231.441,58
Loans and receivables for non-commercial transactions				
Staff	-	4.625,00	-	1.338,00
Short-term deposits (*)	-	1.012.416,64	-	1.253.005,50
Securities and deposits	189.820,04	-	38.081,86	-
Total loans and receivables for non-commercial transactions	189.820,04	1.017.041,64	38.081,86	1.254.343,50
Total	189.820,04	3.228.243,16	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
Impairment losses on trade receivables	66.349,94
Accumulated impairment end of financial year 2017	554.966,77

8.3) Financial Assets available for Sale

Correspond to two investments made for the Group in the present period in:

- a) E. Kuantia: financial institution specialized in the issuance of means of payment and electronic money. The investment amounts to 143.880 euros and corresponds to 2% of the share capital.
- b) IBAN Wallet: global platform, linking investors and loan applicants, with high rates for both. The investment amounts to 10.197,40 euros and corresponds to 0,38% of the share capital.

NOTE 9. FINANCIAL LIABILITIES

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

	Debts with credit institutions		Others liabilities	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Debts and payable items (Note 9.1)	1.071.740,63	1.800.679,35	71.285,72	122.879,73

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

	Debts with credit institutions		Others liabilities		Total	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Debts and payable items (Note 9.1)	2.752.059,43	3.131.985,36	1.737.860,96	1.433.407,19	4.489.920,39	4.565.392,55

9.1) Debits and Payable Items

The breakdown as of December 31, 2017 and 2016 is as follows, in euros:

	Balance as of 31/12/2017		Balance as of 31/12/2016	
	Long-Term	Short-Term	Long-Term	Short-Term
For commercial transactions:				
Suppliers	-	1.125.581,58	-	1.197.573,01
Creditors	-	373.877,19	-	182.462,21
Advances from costumers	-	178.843,85	-	-
Total balances for commercial transactions	-	1.678.302,62	-	1.380.035,22
For non-commercial operations:				
Debts with credit institutions	1.023.296,73	2.732.604,86	1.800.679,35	3.131.985,36
Other financial liabilities	48.443,90	19.454,57	-	-
Other debts	71.285,72	57.505,21	122.879,73	52.962,10
Debits and payable items	1.143.026,35	2.809.564,64	1.923.559,08	3.184.947,46
Staff (remuneration payable)	-	2.053,13	-	409,87
Total balances for non-commercial operations	1.143.026,35	2.811.617,77	1.923.559,08	3.185.357,33
Total debts and payable items	1.143.026,35	4.489.920,39	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, 2017 is as follows, in euros:

	A Short-Term	A Long-Term	Total
Credit policies	1.342.318,02	-	1.342.318,02
Loans	1.064.033,12	1.023.296,73	2.087.329,85
Leasings	19.454,57	48.443,90	67.898,47
Discounted effects	326.253,72	-	326.253,72
	2.752.059,43	1.071.740,63	3.823.800,06

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

	A Short-Term	A Long-Term	Total
Credit policies	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, 2017, expressed in Euros, is the following:

Company	Last maturity	Initial amount	Pending closing
Loan 14	16/02/2018	300.000,00	117.800,86
Loan 16	30/04/2018	250.000,00	19.138,07
Loan 17	18/07/2018	300.000,00	38.442,23
Loan 18	10/10/2018	150.000,00	31.250,00
Loan 19	01/03/2018	300.000,00	25.938,71
Loan 21	12/03/2019	300.000,00	79.421,24
Loan 22	08/10/2019	250.000,00	17.384,56
Loan 24 (*)	15/10/2025	78.375,60	78.375,60
Loan 25	05/12/2018	400.000,00	136.408,37
Loan 27	30/04/2018	125.000,00	14.224,26
Loan 28	14/12/2019	300.000,00	153.090,09
Loan 29	25/02/2020	250.000,00	112.017,23
Loan 30	25/06/2020	150.000,00	95.489,26
Loan 31	14/12/2020	465.000,00	285.245,54
Loan 32	31/12/2020	287.619,11	176.715,34
Loan 34	31/03/2019	350.000,00	155.555,60
Loan 35	29/09/2019	500.000,00	255.479,33
Loan 36	02/11/2022	300.000,00	295.353,56
		5.055.994,71	2.087.329,85

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

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, 2017, the Group has credit policies granted with a total limit amounting to 1.715.000 euros (1.776.000 euros at the end of the previous year), which amount drawn at the aforementioned date is 1.342.318,02 euros (1.670.190,72 euros at the end of the previous year).

Lines of Effects and Import Advances

As of December 31, 2017, the Company has discount policies granted with a total limit amounting to 875.000 euros (1.175.000 euros at the end of the previous year), the amount of which is as follows to date 326.253,72 euros (199.721,80 euros at the end of the previous year).

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 2017 are pending 128.143,17 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 2017 is the following:

	Maturity years						Total
	2018	2019	2020	2021	2022	More than 5 years	
Financial debts:	2.752.059,43	609.407,97	279.410,16	83.391,37	71.359,29	28.171,84	3.823.800,06
Debts with credit institutions	2.732.604,86	589.610,21	259.263,16	74.892,23	71.359,29	28.171,84	3.755.901,59
Financial lease	19.454,57	19.797,76	20.147,00	8.499,14	-	-	67.898,47
Other debts	57.505,21	9.928,31	9.928,31	9.928,31	9.928,31	31.572,48	128.790,93
Commercial creditors and other payable items:	1.678.302,62	-	-	-	-	-	1.678.302,62
Suppliers	1.125.581,58	-	-	-	-	-	1.125.581,58
Sundry creditors	373.877,19	-	-	-	-	-	373.877,19
Staff	-	-	-	-	-	-	83.665,13
Advances from costumers	178.843,85	-	-	-	-	-	178.843,85
Total	4.487.867,26	619.336,28	289.338,47	93.319,68	81.287,60	59.744,32	5.630.893,61

The breakdown of the maturity dates of the liability financial instruments at the close of 2016 is the following, in Euros:

	Maturity years						Total
	2017	2018	2019	2020	2021	More than 5 years	
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.

9.3) Guarantees

The Group has contracted guarantees with a financial institution for a total amount of 450.000,00 euros, a standard instrument when signing an interconnection agreement.

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 2017 Days	Financial year 2016 Days
Average payment period to suppliers	37,98	34,83
Ratio paid operations	38,94	34,27
Ratio of outstanding payment transactions	33,97	34,42
	Financial year 2017 Amount	Financial year 2016 Amount
Total payments	6.607.903,37	5.752.273,36
Total outstanding payments	1.587.706,21	1.409.118,15

NOTE 11. INFORMATION ON THE NATURE AND LEVEL OF THE RISK FROM FINANCIAL INSTRUMENT

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, 2017 and 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:

	N° 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 an issue 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:

	31/12/2017	31/12/2016
Legal Reserve	47.503,72	47.503,72
Voluntary Reserves	1.652.257,38	1.461.031,56
Negative results from previous years	(3.623.521,52)	(1.961.268,90)
	(1.923.760,42)	(452.733,62)

12.3) Issue 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, 2017, the Parent Company holds own shares for an amount of 924.331,41 euros (898.227,80 euros in the previous year)

NOTE 13. FOREIGN CURRENCY

The most significant foreign currency balances at the end of the year 2017, totalled in euros and broken down into their foreign currency equivalent, are as follows:

	EUROS	USD	GBP	COP	BRA	DOP
CURRENT ASSETS	606.804,34	388.516,30	144.554,78	491.648.430,60	35.643,15	464.819,13
Trade debtors and other accounts receivable	384.861,02	309.202,95	136.701,00	18.654.657,00	-	10.323,14
Cash	221.943,31	79.313,35	7.853,78	472.993.773,60	35.643,15	454.495,99
CURRENT LIABILITIES	471.164,92	507.054,78	37.281,80	16.771.817,59	-	73.400,08
Trade creditors and other payable accounts	471.164,92	507.054,78	37.281,80	16.771.817,59	-	73.400,08

The most significant foreign currency balances as 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 2017, totalled in euros and broken down into the equivalent in foreign currency, are as follows:

	EUR	USD	GBP	CLP	COP	ZAR	BRL	DOP
Purchases and services received	602.243,38	120.817,03	40.113,49	8.920.780,00	420.005.164	116.557,23	39.960,76	508.630,15
Sales and services given	374.789,93	275.277,79	60.340,63	-	888.591.437	-	1.808,55	86.292,93

The most significant transactions carried out during the financial year 2016 ended December 31, 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, 2017 and December 31, 2016, in euros:

	31/12/2017		31/12/2016	
	Receivable	Payable	Receivable	Payable
Non-current:				
Deferred Tax Assets	138.100,65	-	138.100,65	-
	138.100,65	-	138.100,65	-
Current:				
Value Added Tax	16.159,83	15.081,92	1.863,05	5.152,40
Subsidies receivable (*)	27.732,78	-	16.532,78	-
Income Tax retentions	-	41.389,85	-	44.061,57
Company Tax	29.693,49	-	23.423,69	-
Social Security bodies	-	44.495,00	3.553,20	41.893,68
	73.586,10	100.966,77	45.372,72	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. In consequence, for the purposes of subsequent inspections, liabilities may arise additional to those recorded by the Group.

As of December 31, 2017, the Group has open to tax inspection all the taxes to which it is subject from the financial year 2012 to the 2017 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 2017 of the Parent Company with the taxable income tax base is as follows:

Profit and Loss Account			
Financial year's earnings (After taxes) (six-months)			(252.893,09)
	<i>Increases</i>	<i>Decreases</i>	<i>Net effect</i>
Profit tax	-	-	-
Permanent differences	604.143,32	-	604.143,32
Compensation of tax loss carryforwards			(351.250,23)
Taxable income (tax result)			-

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) (six-months)			(1.407.337,24)
	<i>Increases</i>	<i>Decreases</i>	<i>Net effect</i>
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:

	2017	2016
Charge at 25 % of Taxable Income	-	-
Deductions	-	-
Net tax payable	-	-
Less: withholdings and payments	(6.358,22)	(1.409,87)
Tax payable	(6.358,22)	(1.409,87)

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

	2017	2016
Current tax	226,20	3.280,44
Deferred tax	-	-
Total	226,20	3.280,44

The movement of deferred taxes generated and cancelled during the year 2017 is detailed below in euros:

	Balance at 31/12/2016	Generated	Balance at 31/12/2017
Deferred tax assets:			
Tax credits	138.100,65	-	138.100,65

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

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

Credits for Tax Losses Carry Forward

Part of the tax base credits have been recorded, since they comply with the requirements established by current legislation for their recognition, and since there are no doubts about the Company's ability to generate future taxable profits that allow their recovery. The total amount capitalised in this connection amounts to 138.100,65 euros. The detail of the tax loss carry forwards to be offset in future years is as follows:

Year of Origin	Amount
2015	481.198,92
2016	1.389.823,25
	1.871.022,17

Deductions Pending Application

As of December 31, 2017, 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	90.887,05
2014	127.371,20
2015	369.824,03
2016	188.991,46
2017	182.112,92
	2.140.923,88

NOTE 15. INCOME AND EXPENSES**a) Supplies**

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

	2017	2016
Consumption of merchandise		
Domestics	2.126.479,62	2.451.761,17
Intra-Community Acquisitions	802.677,96	735.606,03
Imports	1.709.313,29	722.457,63
	4.638.470,87	3.909.824,83

b) Staff expenses

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

	2017	2016
Company Social Security contributions	435.998,39	355.158,22
Other welfare costs	126.274,82	104.309,63
	562.273,21	459.467,85

c) Financial Results

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

	2017	2016
Financial incomes	17.688,78	5.860,11
Other financial incomes	17.688,78	5.860,11
Financial expenses	(131.462,99)	(183.493,79)
For debts with credit institutions	(131.462,99)	(183.493,79)
Change in fair value of financial instruments	(95.660,11)	(5.801,05)
Exchange differences	387,35	400,88
Financial Result Positive / (Negative)	(209.046,97)	(183.033,85)

d) Other Incomes

The Group registered in the previous year 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. EVENTS AFTER THE BALANCE SHEET DATE

After December 31, 2017, no significant events have occurred affecting the Group's Annual Accounts at that date.

NOTE 18. CONSOLIDATED EARNINGS

The following is the breakdown for the financial year 2017 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.	(548.171,36)	-	(548.171,36)	-
Lleidanetworks Serveis Telemàtics, LTD	22.244,69	100%	22.244,69	-
Lleidanet USA Inc	67.427,80	100%	67.427,80	-
Lleidanet Honduras, SA	-	70%	-	-
Lleidanet Dominicana, SRL	(8.316,42)	99,98%	(8.314,61)	(1,81)
Lleida SAS	39.426,20	100%	39.426,20	-
Lleida Chile SPA	-	100%	-	-
Lleidanet do Brasil Ltda	(11.812,17)	99,99%	(11.810,99)	(1,18)
Lleidanet Guatemala	-	80%	-	-
Portabilidades Españolas, S.A.	(849,82)	100%	(849,82)	-
Lleidanet Costa Rica	-	100%	-	-
Lleidanet Perú	(75.491,54)	100%	(75.491,54)	-
			(515.539,63)	(2,99)

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 Earnings associated to Parent Company is as follows:

Individual earnings attributed to Parent Company	(515.539,63)
Consolidation adjustments:	
Deterioration elimination	575.000,00
Total	59.460,37

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

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

NOTE 19. TRANSACTIONS WITH RELATED PARTIES

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

The remuneration accrued during the financial year 2017 by the Board of Directors of the Parent Company amounted to 84.750 euros (69.000 euros in the previous year).

The Senior Management tasks are performed by two members of the same Board of Directors, with compensation for salaries and wages amounting to 176.895,88 euros (164.423,73 euros in the previous year).

As of December 31, 2017, and 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 20. OTHER INFORMATION

The average number of employees during the financial year 2017, 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:

2017				
	Men	Women	Total	Disability greater than or equal to 33%
Senior Executives	1	1	2	-
Administration	-	4	4	1
Commercial	6	8	14	-
Human Resources	17	4	21	-
Production	-	2	2	-
Maintenance	-	4	4	-
Reception	2	5	7	-
	-	1	1	-
TOTAL				

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 2017 amounted to 20.675 euros (19.000 euros in the previous year). The fee for other verification services for the limited review of the annual accounts amounted to 14.700 euros (9.000 euros in the previous year). In addition, the fees accrued for other services amounted to 2.060 euros (8.000 euros in the previous year).

The Group is hereby informed that during the year it has paid the premium corresponding to the civil liability policy that would eventually cover any damage caused to third parties by acts or omissions related to the performance of its duties. The premium amounted to 19.107 euros.

NOTE 21. 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, in euros:

	2017		2016	
Business Areas (in thousands of euros)	Euros	%	Euros	%
Certified electronic communications	1.763	18%	1.176	15%
SMS Solutions	7.221	72%	5.975	74%
Data Validation	825	9%	804	10%
Other Operations	72	1%	99	1%
Total	9.881	100%	8.054	100%

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

	2017		2016	
Description of geographic markets	Euros	%	Euros	%
Domestic	5.459.558,03	55,25%	4.780.373,01	59,35%
European Union	2.580.077,37	26,11%	1.729.117,24	21,47%
Rest of the World	1.841.916,98	18,64%	1.544.531,78	19,18%
Total	9.881.552,38	100%	8.054.022,03	100%

GROUP LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.
AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR
THE FINANCIAL YEAR 2017

GROUP LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.
AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR
THE FINANCIAL YEAR 2017

In compliance with the provisions of the Capital Companies Law, the directors then present the director's report for the year, in order to complement, expand and comment on the balance sheet, profit and loss account and the corresponding report for the first half of the year 2017

1. BUSINESS EVOLUTION

Turnover amounted to 9.9 million euros, with an increase of 23%. Sales growth reflects the acquisition of large accounts in all business lines.

All the Group's business areas show significant increases. Particularly noteworthy was the increase in the relative weight of SaaS (Software as a Service), Certified Electronic Communications and Data Validation activities, which already represent 27% of total sales, after a 28% growth in the year.

Lleida. net consolidates its position as the first certification operator of reference in Spain and as a relevant player in the process of digitalising the economy, providing legal legitimacy in these processes. Lleida. net consolidates itself as the first certification operator of reference in Spain and as a relevant player in the process of digitalization of the economy, providing legal legitimacy in these processes.

The Wholesale division maintains its growth rate with an increase in turnover of 42.5%. The commercial use of SMS worldwide remains very high in the B2C segment, given that its level of reading by customers in the financial and consumer segments is much higher than that of other OTC communications.

	2016	2017	Var %
SAS Services (Certified Electronic Communications + Data validation)	2.079	2.660	27,90%
SMS Solutions	2.891	2.827	-2,20%
ICX-WHOLESALE Solutions	3.084	4.394	42,50%
Total	8.054	9.881	22,70%

EBITDA Evolution:

	2016	2017	Var. %
Sales	8.054	9.881	22,7%
Cost of Sales	(3.910)	(4.638)	18,6%
Gross Margin	4.144	5.243	26,5%
Gross Margin %	51,5%	53,1%	
Salaries	(2.012)	(2.318)	15,2%
External charges for services	(2.004)	(2.449)	22,2%
Other results	(5)	22	540,0%
Work performed by the Company for its assets	919	849	7,6%
Other results	(486)		100,0%
EBITDA	556	1.347	142,30%
Amortization	(1.147)	(1.078)	6%
Impairment and earnings for disposals	(655)	0	-100%
Operating Earnings	(1.246)	269	121,60%
Net financial Earnings	(177)	(114)	35,6%
Exchange differences	(6)	(96)	1500,0%
Pre-Tax Earnings	(1.429)	59	104,10%

- EBITDA more than doubles the figure obtained in 2016 up to 1.3 million euros, reaching a margin of 13.6% of sales. This increase reflects the operating leverage of the group that is reaping the fruits of its investment in technological innovation and the internationalization of its operations.
- In 2017 Lleida.net has obtained patents in Europe, the United States, Colombia, CGC, Colombia, China, Australia, Japan, New Zealand, Taiwan, Israel and South Africa and maintains its telecommunications operator licenses in Spain, USA, Great Britain, France and Colombia. Lleida.net has more than 360 interconnection contracts which allow to reach any operator worldwide, positioning Lleida.net as one of the most competitive operators. The group has continued to introduce improvements and new applications in its RIU products (platform for identification by videoconference in onboarding processes) and ConectaClick, which continues to incorporate technological improvements and new applications and whose new version will be presented in February at the World Mobile Congress in Barcelona

2. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 31 December 2017 and up to the date of preparation of this Management Report, there have not been any subsequent events, in addition to those mentioned in the Explanatory Notes to the annual accounts, that disclose circumstances that already existed as of December 31, 2017 and that, due to the importance of their economic impact, should entail adjustments to the annual accounts or modifications to the information contained in the Explanatory Notes.

Nor are there any subsequent events, other than those mentioned in the Explanatory Notes, that demonstrate conditions that did not exist as of December 31, 2017 and are of such importance that they require additional information in the Explanatory Notes to the annual accounts.

3. PROBABLE EVOLUTION OF THE GROUP

The forecasts for 2018 are to increase the Group's gross margin, strengthening sales of certified products by consolidating products internationally.

4. RESEARCH ACTIVITIES

In 2017, the Group invested 849 thousand euros in research activities that focused mainly on the development of a qualified system for certified electronic delivery based on on-site data verification.

5. OPERATIONS WITH OWN SHARES

In accordance with the regulations of the Alternative Stock Exchange Market, the company signed a liquidity agreement with the placement bank on the occasion of its market launch. This agreement establishes both the delivery of a certain amount of treasury stock and the deposit of a certain amount of cash. The purpose of this contract is to enable investors to trade the company's shares, ensuring that any interested person has the possibility to buy or sell shares. The Board of Directors on August 12, 2016 approved the acquisition of treasury stock for a maximum amount of 200 thousand euros. The programme was extended until 12 August 2018 following the agreement of the Board of Directors on 7 August 2017.

As of December 31, 2017, the Company had 942,589 shares with a value of 631.534,63 euros at that date, which represented 5.87% of the shares of Lleidatnetworks Serveis Telemàtics, S. A.

6. TRANSACTIONS IN FINANCIAL HEDGES

During 2017, the Group has not used instruments related to financial derivatives.

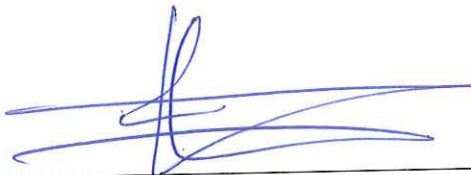
7. DEFERMENT OF PAYMENT TO SUPPLIERS.

Information on deferrals to suppliers is disclosed in the Consolidated Annual Accounts in Note 10.

**PREPARATION OF THE CONSOLIDATED
ANNUAL ACCOUNTS AND DIRECTOR'S REPORT**

In compliance with company law, the Sole Director of **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.** draws up the Consolidated Annual Accounts and the Consolidated Director's Report for the financial year 2017, which comprises the attached pages number 1 to 44.

Lleida, March 22, 2018
The Board of Directors



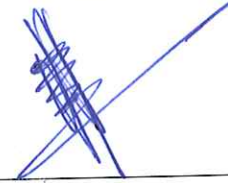
Mr. Francisco Sapena Soler
Chairman and Chief Executive Officer



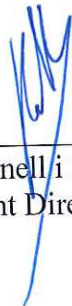
Mr. Marcos Gallardo Meseguer
Secretary



Mr. Miguel Pérez Subias
Independent Director



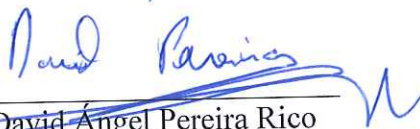
Mr. Antonio López del Castillo
Independent Director



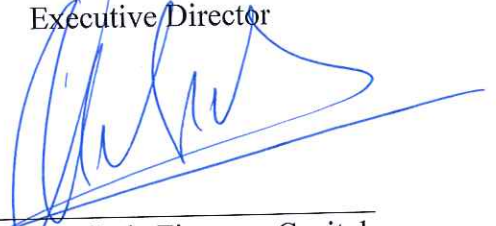
Mr. Jordi Carbonell i Sebarroja
Independent Director



Ms. Arrate María Usandizaga Ruíz
Executive Director



Mr. David Ángel Pereira Rico
External Director



Institut Català de Finances Capital,
S.G.E.I.C., S.A.U.
Represented by
Mr. Emilio Gómez Jané
External Director

BDO Auditores S.L.P., es una sociedad limitada española, y miembro de BDO International Limited, una compañía limitada por garantía del Reino Unido, y forma parte de la red internacional BDO de empresas independientes asociadas.

BDO es la marca comercial utilizada por toda la red BDO y para todas sus firmas miembro.

bdo.es
bdo.global



Auditoría & Assurance | Advisory | Abogados | Outsourcing