

ANNUAL ACCOUNTS AND DIRECTOR'S REPORT FOR FINANCIAL YEAR 2018 TOGETHER WITH THE AUDIT REPORT ON ANNUAL ACCOUNTS ISSUED BY AN INDEPENDENT AUDITOR

(Free translation of the accounts originally issued in Spanish, in the event of discrepancy, the Spanish language version prevails)





### LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.

Annual Accounts and Director's Report for financial year 2018 together with the Audit Report on Annual Accounts issued by an Independent Auditor

### AUDIT REPORT ON ANNUAL ACCOUNTS ISSUED BY AN INDEPENDENT AUDITOR

### ANNUAL ACCOUNTS FOR FINANCIAL YEAR 2018:

Balance Sheets as of December 31, 2018 and 2017
Profit and Loss Accounts for the financial years 2018 and 2017
Statement of Changes in Partner's Equity for the financial years 2018 and 2017
Cash-Flow Statement for the financial years 2018 and 2017
Notes to the accounts for the financial year 2018

DIRECTOR'S REPORT FOR FINANCIAL YEAR 2018



### LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.

AUDIT REPORT ON THE ANNUAL ACCOUNTS ISSUED BY AN INDEPENDENT AUDITOR



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### Audit report on the financial statements Issued by an independent auditor

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

### Opinion

We have audited the financial statements of LLEIDANETWORKS SERVEIS TELEMÀTICS. S.A. (the Company), which comprise the balance sheet at December 31, 2018, the income statement, the statement of changes in equity, the statement of cash flows and the notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements give, in all material respects, a true and fair view of the Company's equity and financial position at December 31, 2018, as well as its 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 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 Company 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 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

Valuation of capitalized research expenditures

As described in notes 4.a. and 5 to the accompanying notes, the Company has intangible assets for expenses on capitalised research projects of a significant amount. These expenses must be specifically individualised by project and have reasons of economic-commercial profitability, among other requirements in order to be capitalized in the Company's balance sheet. In addition, the evaluation by the Company's management and directors of their recoverable value or the need for impairment involves value judgements and estimates. For these reasons, we have considered the valuation of these assets as a key issue in our audit.

We have carried out the following audit procedures, among others:

- Understanding of the policies and procedures applied by the Company for the capitalization of research expenses.
- We have analysed the activations 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.
- We have obtained the certificates issued by an independent third party on the projects regarding the validity of the capitalised amounts.
- We have obtained a detail of the book value of the research expenses individualized by projects, and analysed the sales projections for the different projects, profitability and real sales for the year, goodness of the data, the reasonableness of the hypotheses, the degree of compliance to date, revision of the arithmetic calculation, analysis of the discount rate, sensitivity to the variation of hypothesis and deviations in past estimates in order to evaluate the reasonableness of the recoverable value of the research expenses.
- We have verified the correct amortization of the different projects capitalised on the basis of the current regulations applied by the Company.
- Finally, we have verified that the notes to the accompanying annual accounts include the disclosures of related information required by the applicable financial reporting framework. In this regard, Notes 4.a and 5 of the attached report include the aforementioned information breakdowns.



Valuation of investments, loans and balances with group companies

As described in notes 4.d, 8, 9 and 19 to the accompanying notes to the financial statements, investments in group companies together with the balances of group customers balances and other loans represent, on an aggregate basis, 16.62% of the Company's total assets.

We focus on this area, due to the amount of its net book value over the total assets of said investments, credits and balances, and because the evaluation by the management and the administrators of the Company of its recoverable value implies the execution of value judgments and important estimates, mainly on the results, discount rate, calculation methodology, and future flows of the investee companies.

For these reasons, we have considered the valuation of investments and loans with group companies as a key issue in our audit.

We have carried out, among others, the following audit procedures:

- Understanding of the policies and procedures applied by the Company regarding the valuation of investments and group balances.
- We have analysed the evolution of the holdings, loans and balances of the various subsidiaries during the year as well as their indications of impairment.
- We have analysed the situation of the different subsidiaries, comparing the actual results for 2018 with the figures included in the forecasts for the previous year in order to assess the degree of compliance with them.
- Based on the actual results for 2018, we have questioned the corresponding adaptation, if any, of future flows in this year's forecasts.
- We have questioned the assumptions used by the Company's management in the forecasts used in terms of growth rates and discount rates applied in relation to its sector.
- We have evaluated the need for impairment based on recoverability estimates and analysis of impairments recorded by the Company.
- Finally, we have verified that the notes to the accompanying annual accounts include the disclosures of related information required by the applicable financial reporting framework. In this regard, Notes 4 d), 8, 9 and 19 of the attached report include the aforementioned information breakdown.



### Application of the going concern principle

Due to the fact that the Company has historically presented negative working capital and given the degree of indebtedness that the Company maintains at year-end and which represents 38% of its liabilities, (40% in 2017), it is necessary for the Company to comply with its business plan, as well as to obtain new financing through new loans and renewal of credit policies. During the financial year 2018, as well as during the financial year 2019, up to the date of this report, the Company is generating positive cash flow and the renewal of policies is taking place. The net financial debt has gone from 2.639 thousand Euros in 2017 to 2.272 thousand Euros in 2018, it means a decrease of 14% in one fiscal year.

These circumstances are causing and mitigating factors of doubt regarding the application of the going concern principle in the formulation of annual accounts, whose evaluation involves value judgements and estimates. For these reasons, we considered the application of the going concern principle as a key issue in our audit.

We have carried out, among others, the following audit procedures:

- Understanding of the policies and procedures applied by the Company in the estimation process of the Business Plan and Treasury Budget.
- Obtaining the Business Plan and Treasury Budget prepared by the Company's Management.
- Obtaining supporting documentation relating to both the taking out of new loans and the renewal of credit policies at maturity.
- We have analysed the reasonableness of the estimates and assumptions of the Business Plan and Treasury Budget, made by the Company's directors, through meetings with management and verification of contrastable data, both of the key hypotheses used, as well as concordance of these with those used in previous periods by the Company.
- We have evaluated the goodness of the forecasts of the Direction comparing the deviations and reasons of these between the budgeted figures and the real ones corresponding to the last fiscal years.
- We have analysed the degree of compliance with both the Business Plan and the Treasury Budget based on 2018 figures, and we have analysed the financial situation to date.
- Finally, we have verified that the notes to the accompanying annual accounts include the disclosures of related information required by the applicable financial reporting framework. In this regard, note 2.d of the attached report includes the aforementioned breakdown of information.



### Other information: Management report

The other information comprises exclusively the management report for the financial year 2018, the formulation of which is the responsibility of the Parent's directors and does not form an integral part of the financial statements.

Our audit opinion on the annual accounts does not cover the annual report. Our responsibility over the 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 management report with the financial statements, based on the knowledge of the Entity obtained in performing the audit of the aforementioned 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 management report agrees with that in the consolidated financial statements for financial year 2018 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 financial statements

The administrators are responsible for formulating the accompanying financial statements so that they give a true image of the equity, the financial situation and the 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 financial statements, the administrators 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 audit committee is responsible for supervising the preparation and presentation of the financial statements.

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

Our objectives are to obtain reasonable assurance that the 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 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 identify and assess risks of material misstatement of the annual accounts due to
  fraud or error, design and implement audit procedures to respond to such risks and
  obtain sufficient and appropriate audit evidence to provide a basis for our opinion.
  The risk of not detecting a material misstatement due to fraud is higher than in the
  case of a material misstatement due to error, as fraud can involve collusion, forgery,
  deliberate omissions, intentional misrepresentations, or the 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, and not for the purpose of expressing an opinion on the effectiveness of the internal control of the Entity.
- We evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and disclosures by the Administrators.
- We conclude whether the use, by the administrators, of the accounting principle of the Company 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 Company 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 Company to cease to be a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We are required to communicate with the 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 audit committee of the Company 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 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 Audit Committee

The opinion expressed in this report is consistent with that expressed in our additional report to the Parent's Audit Committee dated April 9, 2019.

### Contract period

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The Extraordinary General Shareholders' Meeting held on June 13, 2016 appointed us as the Company'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 Company has been a Public Interest Entity (PIE) since 2015.

### Services provided

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

BDO Auditores, S.L.P. (ROAC nº S1273)

Ignacio Algás (RÓAC 21.841)

Audit Partner

April 9, 2019

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.
ANNUAL ACCOUNTS FOR FINANCIAL YEAR 2018

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### LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.

### BALANCE SHEETS AS OF DECEMBER 31, 2018 AND 2017

	Notes to the		
ASSETS	Annual Accounts	31/12/2018	31/12/2017
MON CURRENT ACCEPT		4.013.000.37	# ##A +0# #0
NON-CURRENT ASSETS		4,812,707,36	5.772,485,78
Intangible assets	Note 5	3.841.712,39	3.847.507,50
Research		2.702.887,98	2.827.141,69
Patents, licenses, trade marks and similar		533,761,72	323.019,98
Computer applications		31.537,64	40.976,94
Other intangible assets		573.525,05	656.368,89
Tangible fixed assets	Note 6	337.969,59	377.513.50
Land and buildings	110100	163.217,11	143.327.21
Technical installations and other tangible fixed assets		174.752,48	U.S
reclinical installations and other tangible fixed assets		174.732,40	234.186,29
Long-term investments in group and affiliated companies		444.204,73	1.222.726,43
Equity instruments	Note 9	162.762,39	471.125,58
Loans to companies	Notes 8.2 y 19.1	281.442,34	751.600,85
Long-term financial investments		185.839,70	186,637,70
Equity instruments	Note 8.3	154.077.40	154.077,40
Other financial assets	Note 8.2	31.762,30	32.560,30
Deferred Tax Assets	Note 15	2.980,95	138,100,65
CURRENT ASSETS		4.976.372,02	4.189.323,61
Trade and other receivables		3.131.672,82	2.528.890,99
Client receivables for sales and services	Note 8.2	1.985.476,55	1.961.360,12
Clients of the Group and affiliated companies	Notes 8.2 y 19.1	1.018.177,08	486.126.80
Sundry debtors	Notes 8.2	76.772,54	38.664,42
Staff	Notes 8.2	4.280,40	4.625,00
Current tax assets	Note 15	6.400,62	
Other receivables from Public Authorities	Note 15	40.565,63	7,768,09 30,346,56
	a Lawringswarp (Usasa In	EC	E. C. Marchaelle
Short-term investments in group and affiliated companies	Note 8.2 y 19.1	164.725,64	124.698,86
Loans to companies		164.725,64	124.698,86
Short-term financial investments	Note 8.2	703.005,50	1.012.416,64
Other financial assets		703.005,50	1.012.416,64
Short-term accruals		233.061,91	223.209,81
Cash and cash equivalents	Note 8.1	743.906,15	300.107,31
Cash		743.906,15	300.107,31
TOTAL ASSETS		9.789.079,38	9.961.809,39

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### LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.

### BALANCE SHEETS AS OF DECEMBER 31, 2018 AND 2017

	Notes to the Annual		
EQUITY AND LIABILITIES	Accounts	31/12/2018	31/12/2017
EQUITY		3.790.079,13	4.041.719,00
Equity		3.790.079,13	4.041.719,00
Capital	Note 13.1	320.998,86	320.998,8
Share Capital		320.998,86	320.998,86
Issue premium	Note 13.3	5.244.344,28	5.244.344,2
Reserves	Note 13.2	1.442.009,79	1.466.165,42
Legal and statutory		47.503,72	47.503,72
Other Reserves		1.394.506,07	1.418.661,70
(Shares and own holdings in equity)	Note 13.4	(954.287,73)	(935.557,23
Retained earnings		(2.054.232,27)	(1.801.339,18
Financial year's earnings		(208.753,80)	(252.893,09
NON-CURRENT LIABILITIES		1.373.581,25	1.143.026,35
Long-term debts	Note 10.1	1.373.581,25	1.143.026,35
Debts with credit institutions		1.126.973,02	1.023,296,73
Financial-lease debt		28.646,14	48.443,90
Other financial liabilities		217.962,09	71.285,72
CURRENT LIABILITIES		4.625.419,00	4.777.063,98
Short-term provisions		85.450,00	31.320,00
Short-term debts	Note 10.1	2.345.516,67	2.808.916,88
Debts with credit institutions		2.253.038,00	2.732.604,86
Financial-lease debt		19.797,76	19.454,57
Other financial liabilities		72.680,91	56.857,45
Trade and other payables		2.194.452,33	1.936.827,10
Suppliers	Note 10.1	1.462.172,12	1.080.209,19
Suppliers, group and affiliated companies	Note 10.1 y 19.1	245.540,89	233.022,50
Sundry creditors	Note 10,1	168.632,73	346.474,52
Staff (remuneration payable)	Note 10.1	400 VOV. 53	297,60
Other debts with Public Authorities	Note 15	129.484,21	97.979,44
Advances from clients	Note 10.1	188.622,38	178.843,85
TOTAL EQUITY AND LIABILITIES		9,789,079,38	9.961,809,39

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### LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.

# PROFIT AND LOSS ACCOUNTS FOR THE FINANCIAL YEARS 2018 AND 2017

PROFIT AND LOSS ACCOUNTS	Notes to the Annual Accounts	2018	2017
Net turnover	Note 21	12.078.022,12	9.655.779,89
Net sales	750te:21	12.078.022,12	9.655.779,89
Work performed by the company for its assets	Note 5	786.636,39	848.957,59
Supplies	Note 16.a	(6,286,002,77)	(4.677.342,31)
Goods consumed	Tible Total	(6.286.002,77)	(4.677.342,31)
Other operating income		22.584,72	42,600,70
Ancillary and other current operating income		931,22	1.942,46
Operating grants income		21.653,50	40,658,24
Staff expenses		(2.597.706,51)	(2.274.996,98)
Wages, salaries and the like		(2.012.486,30)	(1.712.723,77)
ringe benefits	Note 16.b	(585.220,21)	(562.273,21)
Other operating expenses		(2.262.761,06)	(2,157,148,64)
External charges for services		(2.202.122,56)	(2.040.115,56)
l'axes		(43.886,02)	(30.157,54)
osses, Impairment and change in trade provisions		(16.281,28)	(86.875,54)
Other current operating expenses		(471,20)	
Amortization of fixed assets	Notes 5 y 6	(1.148.114,84)	(1.073.727,05)
Other earnings		3,44	(27,48)
OPERATING EARNINGS		592.661,49	364.095,72
Financial income ncome from negotiable securities and other financial	Note 16.c	40.492,28	62.662,82
nstruments, group and affiliated companies Other income from negotiable securities and other third-party		40.026,78	45,480,58
inancial instruments		465,50	17.182,24
Financial expenses	Note 16.c	(91,219,17)	(96.184,56)
For debts with third parties	18TA SCENE MAN	(91.219,17)	(96.184,56)
Exchange differences	Note 16.c	(33.441,01)	(8.467,07)
Impairments and earnings for disposals of financial			
nstruments mpairments and losses	Note 16.c	(582.127,69) (582.127,69)	(575.000,00) (575.000,00)
64 (1553) 444 (1954) 455 (4653) 465 (4654) 645 (4654) 457 (4554) 457 (4654) 457 (4753) 454 (475)			0.000.000.000.000.00
TNANCIAL EARNINGS		(666.295,59)	(616.988,81)
PRE-TAX EARNINGS		(73.634,10)	(252.893,09)
Profit tax	Note 15	(135.119,70)	×
FINANCIAL YEAR'S EARNINGS		C 5079-00 (17707 L 1004)	
FROM CONTINUED OPERATIONS		(208.753,80)	(252.893,09)

Annual Accounts of Lleidanetworks Serveis Telematics, S.A. Financial Year 2018

# LEIDANETWORKS SERVEIS TELEMÀTICS, S.A.

# STATEMENT OF CHANGES IN PARTNER'S EQUITY TOTAL STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL YEARS 2018 AND 2017

	Share Capital	Own Shares	Issue	Reserves	Retained Earnings	Financial Year's Earnings	Total
BALANCE END OF YEAR 2016	320.998,86	(898,227,80)	5.244.344,28	1.508.535,28	(394,001,94)	(1.407.337.24)	4374311,44
Total recognized income and expenses	ã <u>ê</u>	( <b>3</b>	72	€ <u>₽</u>		(252.893,09)	(252.893,09)
Transactions with shareholders or owners Capital increases Operation with own shares	***	(37.329,43)	30036 ¥3	(42.369,86)	64.1	(3)	(79.699.29)
Other changes in equity Distribution of earnings from the previous financial year	7-70	633	350	2676	(1.407.337,24)	1,407,337,24	50 B
BALANCE END OF YEAR 2017	320,998,86	(935.557,23)	5.244,344,28	1,466,165,42	(1.801.339,18)	(252.893,09)	4.041.719,06
Total recognized income and expenses	ě	x	,ic	263	Ñ	(208.753,80)	(208.753,80)
Transactions with shareholders or owners Capital increases Operation with own shares	¥ 53	(18.730,50)	0K ₹99.¥	(24.155,63)	2 121	. 00 BUE	(42.886,13) (42.886,13)
Other changes in equity Distribution of earnings from the previous financial year	3.8	53 X	490-96	7.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1	(252.893,09) (252.893,09)	<b>252.893,09</b> 252.893,09	(3)
BALANCE END OF YEAR 2018	320.998,86	(954.287,73)	5.244.344,28	1.442.009,79	(2.054.232,27)	(208.753.80)	3.790.079,13

### LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.

# CASH FLOW STATEMENT FOR FINANCIAL YEARS 2018 AND 2017

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES	1.191.004,09	1,307,915,43
Financial year's pre-tax earnings	(73.634,10)	(252.893,09)
Adjustments to carnings	1.851.380,70	1.641.441,88
Amortization of fixed assets	1.148.114.84	1.073.727,05
Valuation changes for impairment	598.408,97	661.875,54
Variation of provisions	54,130,00	(127.682,45
Financial incomes	(40.492,28)	(62.662,82)
Financial expenses	91,219,17	
rinanciai expenses	91,219,17	96.184,56
Changes in current capital	(372,657,45)	78.787,10
Frade and other receivables	(620.430,58)	(411.204,05)
Other current assets	(9.852,10)	944,47
Trade and other payables	257,625,23	489,046,68
Other cash flow from operating activities	(A11 005 07)	/180 450 40
	(214.085,06)	(159.420,46)
Interest payments	(91.219,17)	(96.184,56)
Interest incomes	(124.233,36)	(62,036,04)
Tax income	1.367,47	(1.199,86)
CASH FLOW FROM INVESTMENT ACTIVITIES	(471.473,81)	(1.049.608,49)
Payments for investments	(1.102.775,82)	(1.209.948,60)
Intangible fixed assets	(1.018.267,51)	(1.174.190,27)
Tangible fixed assets	(84.508,31)	(35.758,33)
December the many of the court.	621 202 01	160 240 11
Proceeds from disposals Group and affiliated companies	631.302,01 321.092,87	160.340,11
Other financial assets		71.951,28
Other financial assets	310.209,14	88,388,83
CASH FLOW FROM FINANCING ACTIVITIES	(275.731,44)	(1.236.262,60)
Receipts and payments for equity instruments	(42.886,13)	(79.699,29)
Acquisition of own equity instruments	(42.886,13)	(79.699,29)
Collections and payments for financial liability instruments	(232.845,31)	(1.156.563,31)
Issuing:	1.107.499,83	(MILIONIO)
Amounts owed to credit institutions	945.000,00	
Others	162.499,83	
Repayment and amortization of:	(1.340.345,14)	(1.156.563,31)
Amounts owed to credit institutions	(1.340.345,14)	(1.108.864,65)
Others	(1.540.545,14)	(47.698,66)
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NET INCREASE/REDUCTION OF CASH	A dra March as a	(DEE DEE DE
AND CASH EQUIVALENTS	443.798,84	(977,955,66)
Cash or cash equivalents at start of financial year	300.107,31	1.278.062,97
Cash or eash equivalents at end of financial year	743,906,15	300.107,31

### LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.

### NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2018

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

### a) Incorporation and Registered Office

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. (hereinafter "Parent Company"), was registered in Lleida on January 30th, 1995. On October 7, 2017, the Parent Company approved the change of registered office, which is currently located at General Lacy, number 42, Ground Floor - Local I in Madrid. Previously its registered office was at the Parc Científic i Tecnològic Agroalimentari de Lleida, Edifici H1, Planta 2, de Lleida.

On June 30, 2011, the General Shareholders' Meeting was held in which the transformation from a Limited Company to a Public Limited Company was agreed. On December 12, 2011, the agreement reached at the aforementioned meeting was notarized and deposited in the Mercantile Registry on February 17, 2012.

### b) Activities

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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.

The Company financial year starts on 1 January and ends on 31 December of each year. In the rest of the Notes to this Annual Report, each time reference is made to the financial year ending on December 31, 2018, this will simply stated as "financial year 2018".

### c) Legal System

The Company is governed by its Articles of Association and by the Law Capital Companies.

### d) 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. company subsequently integrated into the GVC GAESCO VALORES SV, S.A. group. On November 7, 2015, the Parent Company changed its Registered Advisor, appointing GVC GAESCO VALORES SV, S.A. On December 19, 2018, the Company was listed on Euronext Growth Paris under the dual listing system, with Invest Securities being the Listing Sponsor.

### NOTE 2. BASIS OF PRESENTATION OF ANNUAL ACCOUNTS

### a) True and Fair View

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The Annual Accounts for the financial year 2018 have been taken from the Company accounting records and drawn up in accordance with the applicable commercial law currently in force and with the standards established in the General Accounting Plan approved by Spanish Royal Decree 1514/2007, of 16 November, applying the modifications introduced by Royal Decree 1159/2010, to show a true and fair view of the Company assets and liabilities, financial position and earnings, as well as the accuracy of the cash flows included in the cash flow statement.

### b) Accounting Principles Applied

The Annual Accounts have been drawn up by applying the accounting principles established in the Spanish Commercial Code and in the General Accounting Plan.

### c) Presentation Currency

In accordance with the applicable laws and regulations on accounting, the annual accounts are expressed in Euros.

### d) Critical Aspects of Uncertainties Valuation and Estimation

In preparing the accompanying Annual Accounts, the Board of Directors used estimates to value certain assets, liabilities, income and expenses recorded therein. The estimates and criteria refer to:

- Evaluation of the operating principle:
  - The Company has historically presented negative working capital and given the degree of indebtedness that the Company maintains at year-end and which represents 38% of its liabilities (40% in 2017), it is necessary for the Company to comply with its business plan, as well as to obtain new financing through new loans and renewal of credit policies. During 2018 and 2019, up to the date of preparation of these financial statements, the Company is generating positive cash flows and credit lines are being renewed. The net financial debt has gone from 2.639 thousand Euros in 2017 to 2.272 thousand Euros in 2018, it means a decrease of 14% in one fiscal year.

- Possible impairment of assets: investments, loans and balances with group companies (Note 4-d):
  - O At 31 December 2018, the Company has significant balances receivable from Group companies (see Note 19.1), the recovery of which will be linked to the generation of cash by the subsidiaries. On the basis of the budgets established by management, the Company's Board of Directors estimates that all the Group company receivables on the Company's balance sheet will be recovered.

Except as mentioned in the preceding paragraphs, there are no uncertainties or aspects of the future that could entail a significant risk that could lead to significant changes in the value of assets and liabilities in the following year, except for those inherent to the nature of the business:

- Slower growth than expected in the Business Plan: slower maturation in some countries.
- Reasonability of the activation and recoverability of research projects.
- Currency risk, although the Company has a natural hedge with revenues and costs in foreign subsidiaries denominated in the same currency.
- Highly atomised and locally competitive market.

Although these estimates have been made on the basis of the best information available at the close of financial year 2018, it is possible that events that may take place in the future will make it necessary to modify them (upwards or downwards) in coming years, which would be done prospectively, recognising the effects of the change in the estimate in the corresponding profit and loss account.

### e) Comparison of the Information

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In accordance with commercial law, for comparison purposes, the Board of Directors presents, in addition to the figures for the financial year 2018, for each of the items in the Balance Sheet, Profit and Loss Accounts, the Statement of Changes in Equity and the Cash-Flow Statement, the figures for the previous financial year. The items for both financial years are comparable and homogeneous.

### f) Changes in Accounting Standards

There have been no changes in the accounting standards

### g) Correction of Errors

The 2018 Annual Accounts do not include related adjustments as a result of errors detected in the annual accounts of previous years.

### h) Responsibility for the Information Given and the Estimates Made

Board of Directors is responsible for the information provided in these annual accounts. These annual accounts have used estimates valuing some of the assets, liabilities, income, expenses and undertakings recorded there. These estimates basically refer to the valuation of losses due to the impairment of specific assets and the useful life of tangible and intangible assets.

Notwithstanding that these estimates were made according to the best information available at the time of the preparation of these 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.

### i) Statement of Recognized Income and Expenses

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The Company has recognized no income nor expense directly to the Equity nor in the current financial year neither in the last one, having registered the totality of them in the corresponding Profit and Loss Account. This is why the current Annual Accounts does not include the Statement of Recognized Income and Expenses.

### NOTE 3. DISTRIBUTION OF EARNINGS

The proposed distribution of 2018 and 2017, drawn up by the Board of Directors are shown below, in Euros:

	2018	2017
Distribution base:		
Profits obtained/ (Generated losses) in the financial year	(208.753,80)	(252.893,09)
	(400,100,00)	(202.000,000
Distribution to:	(200 752 90)	(252 802 00)
Compensation of previous years losses	(208.753,80)	(252.893,09

The unamortised balances of research and development expenses totalled 2.702.887,98 euros in 2018 (2.827.141,69 euros in 2017). Since the total available reserves are less than this amount, the Company may not distribute any dividends in accordance with current mercantile legislation.

### NOTE 4. RECOGNITION AND VALUATION STANDARDS

The principal standards used by the Company in the drafting of its Annual Accounts for the 2018 financial year, in accordance with those established by the General Accounting Plan, were as follows:

### a) 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 amortization charge for each period is recognized 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

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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 Company 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.

### b) Tangible Fixed Assets

Tangible fixed assets are valued by their acquisition price 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 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 straightline-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 Company 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 Profit and Loss Account.

### c) Leases and Other Transactions of a Similar Nature

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

### d) Financial Instruments

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The Company determines the classification of its financial assets on their initial recognition and, where it is permitted and appropriated, this classification is re-assessed on each closing 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:

- 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 Company 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

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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 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, 2018, has been estimated on the basis of the analysis made on each of the individualized outstanding receivables on that date.

### Investments in group, multi-group and affiliated companies equity instrument's

They are initially valued at cost, which corresponds to the fair value of the consideration paid plus the transaction costs which are directly attributable to them.

They are subsequently valued by their cost, less, where appropriate, the accumulated value of the allowances for impairment.

At the close of the financial year, and where there is objective evidence that the book value of an investment will not be recoverable, the necessary allowances are made.

The value of the allowance is determined as the difference between the book value and the recoverable value, unless there is better evidence of the recoverable value of the investments, account is taken, in estimating the impairment in this class of assets, of the proportion of equity of the entity in which there are holdings, corrected for the implicit capital gains present at the date of valuation, which correspond to items identifiable on the balance sheet of the entity in which there are holdings.

Allowances for impairment and, where appropriate, its reversal, are recognized as an expense or income respectively in the Profit and Loss Account. The reversal of the impairment shall be limited to the book value of the investment that would have been recognized on the reversal date had the impairment not been recognized.

### De-recognition of Financial Assets

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

Interests are recognized by using the effective interest rate method, and dividends where it is declared that shareholders are entitled to receive it. 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 body, on acquisition are recognized separately, bearing in mind their maturity, in the initial valuation of the financial assets.

### **Guarantees Given**

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

### e) Transactions in foreign currencies

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

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

### f) Profit Tax

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

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

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

Variations arising during the financial year in deferred tax asset or liability taxes are recognized either in the Profit and Loss Account or directly in the equity, as appropriate.

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

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

### g) Income and Expenses

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

Income resulting from the sale of goods and provision of services is valued by the fair value of the consideration, received or to be received, that derives from these, which, unless there is evidence to the contrary, is the agreed price for these goods or services, less: the amount of any discount, reduction or other similar items that the Company may concede, 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.
- It is probable that the Company receives financial benefits or profits arising from the transaction.
- The extent of the transaction carried out, on the date of closure of the financial year, can be reliably valued, and
- d) The costs already incurred in the service's provision, as well as those that are yet to be incurred up to its completion, can be reliably valued.

### h) Provisions and Contingencies

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

### i) Grants, Donations and Legacies

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

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

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

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

### j) Related-Party Transactions

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

### k) Cash-Flow Statements

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

<u>Cash and Equivalents</u>: 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.

<u>Cash Stream-flows</u>: 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.

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

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

### NOTE 5. INTANGIBLE FIXED ASSETS

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Details of and changes in tangible fixed assets throughout the financial year 2018 are as follows:

	31/12/2017	Additions	De- Recognition	Transfers	31/12/2018
Cost:					
Research	9.341.242,16	786.636,39	-		10.127.878,55
Industrial Property	388.550,99	2000 E	Ĭ	309,495,73	698,046,72
Computer applications	221,657,90	4.979,23		0.0000.0000000	226,637,13
Advances for intangible fixed assets	656.368,89	226.651,89		(309.495,73)	573.525,05
	10.607.819,94	1.018.267,51	*	30	11,626.087,45
Accumulated amortization:					
Research	(6.514.100,47)	(910.890,10)			(7.424.990.57)
Industrial Property	(65.531,01)	(98.753,99)	121	1	(164.285,00)
Computer applications	(180.680,96)	(14.418,53)	*	1,4	(195.099,49)
	(6.760.312,44)	(1.024.062,62)		\$5°	(7.784,375,06)
Intangible Fixed Assets, Net	3,847,507,50	(5.795,11)			3.841.712,39

Details of and changes in tangible fixed assets throughout the financial year 2017 are as follows:

	31/12/2016	Additions	De- Recognition	Transfers	31/12/2017
Cost:					
Research	8.492.284.57	848.957,59	2	1200-1200-1200-1200-1200-1200-1200-1200	9.341.242,16
Industrial Property	188.966,60	amentativating	9	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	2	(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)	(4)	62	(6.514.100,47)
Industrial Property	(27.344,34)	(38.186,67)	*		(65.531,01)
Computer applications	(170.663,60)	(10.017,36)	73	22 <del>-</del> 42 y	(180.680,96)
	(5.792.093,90)	(968.218,54)		- 3	(6.760.312,44)
Intangible Fixed Assets, Net	3.641.535,77	205.971,73	9	44	3.847.507,50

### 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, 2018 and at December 31, 2017, is the following, stating their cost values in Euros:

	31/12/2018	31/12/2017
Research	5.472,949,24	4.786.791,68
Patents	26.783,16	1.376,84
Computer applications	167.566,20	167.566,20
	5.667.298,60	4.955.734,72

### NOTE 6. TANGIBLE FIXED ASSETS

The breakdown of tangible fixed assets as of December 31, 2018 is as follows, in Euros:

	31/12/2017	Additions	Transfers	31/12/2018
Cost;				
Land and buildings	172.228,55	24.957,19		197,185,74
Feehnical installations and machinery	252.969,45	The College	1943	252,969,45
Other installations, tools and furniture	79.150,73	20.112,50		99.263,23
Data processing equipment	360.928,95	37.590,70		398.519,65
Other tangible fixed assets	3.087,87	1.847,92	15.	4.935,79
	868,365,55	84.508,31	154	952.873,86
Accumulated amortization:				
and and buildings Fechnical installations	(28.901,34)	(5.067,29)	16	(33.968,63)
and machinery	(180,108,54)	(20.553,40)		(200.661,94)
Other installations, tools and furniture	(45.553.76)	(9.353,79)	3	(54.907.55)
Data processing equipment	(233.200.54)	(88.795.01)		(321,995,55)
Other tangible fixed assets	(3.087,87)	(282,73)		(3.370,60)
	(490.852,05)	(124.052,22)		(614,904,27)
Fangible Fixed Assets, Net	377.513,50	(39.543,91)	100	337,969,59

The breakdown of tangible fixed assets as of December 31, 2017 is as follows, in Euros:

	31/12/2016	Additions	Transfers	31/12/2017
Cost;				
Land and buildings	172.228,55	- P	₩	172.228,55
l'echnical installations and machinery	252.969,45	100	70	252,969,45
Other installations, tools and furniture	79,150,73	e and a sent of the series		79.150,73
Data processing equipment	247.119,62	35.758,33	78.051,00	360.928,95
Other tangible fixed assets	3.087,87	-		3.087.87
Cost:	78.051,00	-	(78.051,00)	51.000
	832,607,22	35.758,33	2	868.365,55
Accumulated amortization:				
Land and buildings Fechnical installations	(24.595,63)	(4.305,71)	<del>2</del> 0	(28.901,34)
and machinery	(159.555,14)	(20.553,40)	2	(180,108,54)
Other installations, tools and furniture	(38.197,68)	(7.356,08)	A.3	(45,553,76)
Data processing equipment	(160.349,25)	(72.851,29)	5 \$	(233.200,54)
Other tangible fixed assets	(2.645,84)	(442,03)	S	(3.087,87)
	(385,343,54)	(105,508,51)	ži.	(490,852,05)
Fangible Fixed Assets, Net	447.263,68	(69.750,18)		377.513,50

### Fully-amortized and In-use Items

The breakdown, by epigraphs, of the most significant assets which were fully-amortised and in use as of June 30, 2018 and at December 31, 2017, is shown below stating their cost values in Euros:

	31/12/2018	31/12/2017
Fechnical installations and machinery	43.468,70	43.468,70
Data processing equipment	148.061,46	129.448,92
	191.530,16	172,917,62

### NOTE 7. LEASES AND OTHER OPERATIONS OF SIMILAR NATURE

### 7.1) Financial Leases (the Company as Lessee)

The Company has the following assets financed though financial lease agreements as of December 31, 2018, 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	48.433,90

The following is the total amount of future payments in financial leases as of December 31, 2018, in euros:

	Financial year 2018
Total amount of minimum future payments	
at the close of the year	47.803,56
(-) Non-accrued financial expenses	(1.066,93)
Value of the purchase option	1.707,27
Current value at the close of the year	48.443,90
	100 M

### 7.2) Operating Leases (the Company as Lessee)

The amount of the contingent payments recognized as an expense in year 2018 is 247.950,62 euros (271.853,24 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:

	2018	2017
Up to 1 year	254.733,36	225.542,02
Between 1 and 5 years	149.266,52	160.606,02
More of 5 years	152.242,20	170.695,80
	556.242,08	556.843,84

### **NOTE 8. FINANCIAL ASSETS**

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The detail of non-current financial assets, except for investments in the equity of group companies, multigroup and associate companies, shown in Note 9, is as follows:

	Equity instruments		Credits and Othe	rs Financial Assets
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Loans and receivable items (Note 8.2)	: <b>:</b> :::	3 <b>#</b> 3	313.204,64	784.161,15
Financial assets available for sale				
(Note 8.3)	154.077,40	154.077,40		E.
Total	154.077,40	154.077,40	313.204,64	784,161,15

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

	Credits and Others Financial Assets		
	31/12/2018	31/12/2017	
Assets at fair value through the profit and loss:	743.906,15	300.107,31	
Cash or other liquid assets (Note 8.1)	743.906,15	300.107,31	
Loans and receivable items (Note 8.2)	3,952,437,71	3.627.891,84	
Total	4.696.343,86	3.927.999.15	

### 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, 2018 and 2017 is as follows, in euros:

	Balance at 31/122018	Balance at 31/12/2017	
Current Accounts	736.226,19	290.188,35	
Cash	7.679,96	9.918,96	
Total	743.906,15	300.107,31	

### 8.2) Loans and Receivable Items

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The composition of this epigraph as of December 31, 2018 and 2017 is the following:

	Balance at	31/12/2018	Balance at	31/12/2017
	Long-Term	Short-Term	Long-Term	Short-Term
Loans and receivables items for commercial transactions				
Costumers	=	1.985,476,55	2	1.961.360,12
Related party customers (Note 19.1)	E)	1.018.177,08	≥	486.126,80
Debtors	₹3	76.772,54	*	38.664,42
Total loans and receivables items for commercial transactions		3.080.426,17		2,486.151,34
Loans and receivables for non-commercial transactions				
Group Companies (Note 19.1) Staff	281.442,34	164.725,64 4.280,40	751.600,85	124.698,86 4.625,00
Short-term deposits (*)		703.005,50		1.012.416.64
Securities and deposits	31.762,30	7.1	32.560,30	7.0.2.1.0,01
Total loans and receivables for				
non-commercial transactions	313.204,64	872.011,54	784.161,15	1.141.740,50
Total	313,204,64	3,952,437,71	784.161,15	3,627,891,84

<sup>(\*)</sup> 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 end of financial year 2016	488,139,83
Impairment losses on trade receivables	66.406,66
Accumulated impairment end of financial year 2017	554,546,49
Impairment losses on trade receivables	in the second
Accumulated impairment as of June 30, 2018	554.546,49

The balances of credits for non-trade operations to group companies include an impairment of 575,000 euros of the Lleidanetworks Group company Serveis Telemàtics, LTD and an impairment of 177,961.60 euros of the Lleidanet USA Group company Inc.

### 8.3) Financial Assets available for Sale

Correspond to two investments made by the Company last year 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.

# NOTA 9. EQUITY INSTRUMENTS IN GROUP, MULTI-GROUP AND AFFILIATED COMPANIES

The breakdown of the holdings held of the Group companies at December 31, 2018, is as follows:

Company	% Direct Equity	Cost	Impairments	Net value at 31/12/2018	Theoretical book value 31/12/2018
Group companies:					
Lleidanetworks Serveis Telemâtics, LTD	100%	4.00		4,00	(628.609,00)
Lleidanet USA Inc	100%	397.591.09	(397.591,09)		(647.817,72)
Lleidanet Honduras, SA	70%	659.05	THE CONTRACTOR OF THE CONTRACT	659,05	659,05
LLeidanet Dominicana, SRL	99,98%	10.127,97		10,127,97	(10.666,96)
Lleida SAS	100%	147.789,60	0.60	147,789,60	54,350,94
Lleida Chile SPA	100%	3.256,83	89	3.256,83	3.256,83
Lleidanet do Brasil Ltda	99,99%	10.800,00	U#3	10.800,00	(22.558,84)
Lleidanet Guatemala	80%	3.234,00	1	3.234,00	3.234,00
Portabilidades Españolas, S.A.	100%	3.000,00	D€7	3.000,00	(202,13)
Lleidanet Costa Rica	100%	16,06		16,06	(87,84)
Lleidanet Perú	100%	268,09	17/1	268,09	(104.375,18)
Desembolsos pendientes Lleidanet USA Desembolsos pendientes		(2,349,36)	3.53	(2.349,36)	
Lleidanet Honduras, SA Desembolsos pendientes Lleidanet		(659,05)	5€	(659,05)	13
Dominica, SRL		(10.127,97)	546	(10.127,97)	52
Desembolsos pendientes Lleida Chile SPA		(3.256,83)	8.00	(3.256,83)	85
Affiliated companies:					
Lleida Networks India Private Limited	25%	6.575,00	(6.575,00)	35	20.356,32
Total		566.928,48	(404.166,09)	162.762,39	(1.332,460,53)

### Valuation Corrections

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In 2018, the Company has fully impaired its holdings in Lleidanet USA, Inc and Lleida Networks India Private Limited. This had an impact on the profit and loss account of 406.166,09 euros.

The registered offices and the activities carried out by the investees are shown 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.

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

### Lleidanet Honduras, S.A.

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

### Lleidanet Dominicana, S.R.L.

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

### Lleida SAS

With its registered office in Bogotá (Colombia), it was incorporated on November 16, 2012 subscribing, Lleidanetworks Serveis Telemàtics, S.A., 100 shares out of a total of 100 that were issued. Its main activity is based on the dissemination of telematics systems. On June 15, 2018 a capital increase was carried out in Lleida, SAS for an amount of 95.802 euros which Lleidanetworks Serveis Telemàtics, S.A. subscribed in full.

### Lleida Chile SPA

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

### Lleida Networks India Private Limited

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

### Lleidanet do Brasil Ltda

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

### Lleidanet Guatemala, Sociedad Anónima

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

### Portabilidades Españolas, S.A.

Incorporated on December 4, 2015, subscribing, 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.

The summary of the equity of the investees at 31 December 2018 is as follows, in euros:

Company	Share Capital	Reserves	Retained earnings	Profit of the year	Other Movements	Total Equity
Group Companies						
Lleidanetworks serveis						
Felematics, LTD	4.00		(580,125,00)	(48.488,00)		(628,609,00)
Lleidanet USA Inc	397.591,09	2	(1.044,455,26)	(70.678.34)	<b>.</b>	(647.817.72)
Lleidanet Honduras, SA (**)	941,50	2	300000	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		941,50
LLeidanet Dominicana, SRL	10,128,98	3	(12.195.76)	(8.602,31)	0.00	(10.669,09)
Jeida SAS	64.969.26		(21.881.70)	11,263,38	100	54,350,94
Lleida Chile SPA (**)	3,256,83			200 miles 200 miles		3,256,83
Lleidanet do Brasil Ltda.	10,801,08	2	(19.729.02)	(13.633,16)		(22,561,10)
Lleidanet Guatemala, S.A. (**)	4.042,50		North Colored		0.50	4.042,50
Portabilidades Españolas, S.A.(**)	3,000,00	2	(2.224,88)	(977,25)	- 35	(202,13)
Lleidanet Costa Rica (**)	16,06		(96,26)	(7.64)		(87,84)
Lleidanet Perù	268,09	8	(81.237,27)	(23.406,00)		(104.375,18)
Affiliated companies: Lleida Networks India						
Private Limited (*)	26.300,00	83.415,22	54	(28.289,93)	21 <b>%</b> 0	81,425,29

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The summary of the equity of the investees at 31 December 2017 is as follows, in euros:

	% Direct		Net value at	Theoretical book
Company	Equity	Cost	31/12/2017	value 31/12/2017
Group Companies:				
Lleidanetworks Serveis Telemàtics, LTD	100%	4,00	4,00	(623.468,43)
Lleidanet USA Inc	100%	397.591,09	397.591,09	(646.864,36)
Lleidanet Honduras, SA	70%	659,05	659,05	659,05
LLeidanet Dominicana, SRL	99,98%	10.127,97	10.127,97	(6.837,25)
Lleida SAS	100%	51.986,70	51.986,70	(45.206,84)
Lleida Chile SPA	100%	3.256,83	3.256,83	3.526,83
Lleidanet do Brasil Ltda	99,99%	10.800,00	10.800,00	(8.926,45)
Lleidanet Guatemala	80%	3.234,00	3.234,00	3.234,00
Portabilidades Españolas, S.A.	100%	3.000,00	3.000,00	775,13
Lleidanet Costa Rica	100%	16,06	16,06	16,06
Lleidanet Perú	100%	268,09	268,09	(80.848,42)
Desembolsos pendientes Lleidanet USA		(2.349,36)	(2.349,36)	townsonsweeps
Desembolsos pendientes Lleidanet Honduras, SA		(659,05)	(659,05)	14
Desembolsos pendientes Lleidanet Dominica, SRL		(10.127.97)	(10.127,97)	
Desembolsos pendientes Lleida Chile SPA		(3.256,83)	(3.256,83)	15
Affiliated companies:				
Lleida Networks India Private Limited	25%	6.575,00	6.575,00	20.356,32
Total		471,125,58	471.125,58	(1.383.584,36)

<sup>(\*)</sup> Figures at March 31, 2017 (\*\*) Without activity in the year 2018

### NOTE 10. FINANCIAL LIABILITIES

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

	Debts with credit institutions		Others liabilities		Total	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Debits and payable items (Note 10.1)	1.155.619,16	1.071.740,63	217.962,09	71,285,72	1.373,581,25	1.143.026,35

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

	Debts with credit institutions		Others liabilities		Total	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Debits and payable items (Note 10,1)	2,272.835,76	2.752.059,43	2.137.649,03	1.895.705,11	4.410.484,79	4.647.764,54

### 10.1) Debits and Payable Items

The breakdown as of December 31, 2018 and at December 31, 2017 is as follows, in euros:

	Balance as o	f 31/12/2018	Balance as of .	f 31/12/2017
	Long-Term	Short-Term	Long-Term	Short-Term
For commercial transactions:				
Suppliers	34	1.462.172,12	2	1.080.209,19
Suppliers (Related parties) (Note				MISSES ACCEPTANCE
19.1)	32	245.540,89	2	233.022,50
Creditors	3≆	168.632,73		346.474,52
Advances from costumers	~	188.622,38	2	178.843,85
Total balances for				
commercial transactions	*	2.064.968,12		1.838.550,06
For non-commercial operations:				
Debts with credit institutions	1.126.973,02	2.253.038,00	1.023.296,73	2.732,604,86
Other financial liabilities	28.646,14	19.797,76	48.443,90	19.454,57
Other debts	217.962,09	72.680,91	71.285,72	56.857,45
Debits and payable items	1.373.581,25	2.345.516,67	1.143.026,35	2.808.916,88
Staff (remuneration payable)	14	141	돭	297,60
Fotal balances for				
non-commercial operations	1.373.581,25	2.345.516,67	1.143,026,35	2.809.214,48
Total debts and payable items	1.373.581,25	4.410.484,79	1.143.026,35	4.647.764,54

### 10.1.1) Debts with credit institutions

The breakdown of debts with credit institutions as of December 31, 2018 is as follows, in euros:

	A Short-Term	A Long-Term	Total
Credit policies	1.329.790,09		1.329.790,09
Loans	770,761,21	1.126.973,02	1.897.734,23
Discounted effects	19.797,76	28.646,14	48.443,90
Leasings	152.486,70	5-9000 9 NESSENSE	152.486,70
	2,272.835,76	1.155.619.16	3.428.454,92

The breakdown of debts with credit institutions at December 31, 2017 is as follows, in euros:

A Short-Term	A Long-Term	Total
1.342.318,02		1.342.318,02
1.064.033,12	1.023.296,73	2.087.329,85
19.454,57	48,443,90	67.898,47
326.253,72	<b>a</b>	326,253,72
2.752.059,43	1.071.740,63	3.823.800,06
	1.342.318,02 1.064.033,12 19.454,57 326.253,72	1.342.318,02 - 1.064.033,12 1.023.296,73 19.454,57 48.443,90 326.253,72 -

### Loans

The detail of the bank loans as of June 30, 2018, expressed in Euros, is the following:

Company	Last maturity	Initial amount	Pending closing
Loan 21	12/03/2019	300.000,00	16.049,12
Loan 22	08/10/2019	250,000,00	54.214,79
Loan 24 (*)	15/10/2025	78.375,60	73.411,60
Loan 28	14/12/2019	300,000,00	77.309.86
Loan 29	25/02/2020	250.000,00	60.987,90
Loan 30	30/06/2020	150.000,00	58.003,72
Loan 31	14/12/2020	465.000,00	192,198,58
Loan 32	31/12/2020	287.619,11	118.930,40
Loan 34	31/03/2019	350.000,00	38.888,90
Loan 35	29/09/2019	500.000,00	86.414,22
Loan 36	02/11/2022	300.000,00	238.697,25
Loan 37	01/03/2022	150,000,00	121,875,00
Loan 38	18/06/2023	195.000,00	176.390,56
Loan 39	02/07/2023	200.000,00	184.362,33
Loan 40	28/12/2023	400.000,00	400.000,00
		4.175,994,71	1.897.734,23

<sup>(\*)</sup> It corresponds to a loan granted by the CDTI

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

<sup>(\*)</sup> It corresponds to a loan granted by the CDTI

### **Credit Lines**

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As of December 31, 2018, the Group has credit policies granted with a total limit amounting to 1.715.000 euros (1.715.000 euros at the end of the previous year), which amount drawn at the aforementioned date is 1.329.790,09 euros (1.342.318,02 euros at the end of the previous year).

### Lines of Effects and Import Advances

As of December 31, 2018, the Company has discount policies granted with a total limit amounting to 650.000 euros (875.000 euros at the end of the previous year), the amount of which is as follows to date 152.486,70 euros (326.253,72 euros at the end of the previous year).

### 10.1.2) Other debts

Other debts mainly comprise two loans held by the Company with the Institut Català de Finances (ICF). The detail of these loans at the close of fiscal years 2018 is as follows, in euros:

Company	Last	Initial	Pending
	maturity	amount	closing
Loan 1	29/04/2020	336.737,98	71.286,08
Loan 2	25/07/2013	300.000,00	211.677,61
		636.737,98	282,963,69

The detail at the close of fiscal year 2017 was as follows, in euros:

	Last	Initial	Pending
Company	maturity	amount	closing
Loan 1	29/04/2020	336.737,98	124,750,64

### 10.2) Other Information related to Financial Liabilities

### a) Classification by Maturity Date

The breakdown of the maturity dates of the liability financial instruments as of December 31, 2018 is the following, in Euros:

	Maturity years						
	2019	2020	2021	2022	2023	More than 5 years	Total
Financial debts:	2.272.835,76	471.525,55	277.624,44	240.401.60	137.095,10	28.972,47	3,428,454,92
Debts with credit institutions	2.253.038,00	451.378,55	269,125,30	240.401,60	137.095,10	28.972,47	3.380.011,02
Financial lease	19,797,76	20.147,00	8.499,14	n win			48,443,90
Other debts	72.680,91	91,759,34	47.206,08	47,206,08	27.537,13	96	286.389,54
Commercial creditors							
and other payable items:	2.064.968,12	140		·*		2	2.064.968,12
Suppliers	1,462,172,12	35		7		<u> </u>	1,462,172,12
Suppliers (related parties)	245.540,89	390		3 <del>8</del> 3	*5	2	245.540,89
Sundry creditors	168.632,73					-	168.632,73
Advances from costumers	188.622,38	-	3	ğ		2	188.622,38
Total	4.410.484,79	563.284,89	324.830,52	287.607,68	164.632,23	28.972,47	5.779.812,58

The breakdown of the maturity dates of the liability financial instruments at the close of 2017 is the following, in Euros:

	Maturity years						
	2018	2019	2020	2021	2022	More than 5 years	Total
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	56.857,45	9.928,31	9.928,31	9,928,31	9.928,31	33.698,21	130.268,90
Commercial creditors							
and other payable items:	1.659,706,21	1.5	<b>3</b>	-		100	1.659.706,21
Suppliers	1.080.209,19			Ž.			1.080.209,19
Suppliers (related parties)	233.022,50	1.5		3	: E	083	233,022,50
Sundry creditors	346.474,52	72	3	3			346.474,52
Total	4.468.623,09	619.336,28	289,338,47	93,319,68	81.287,60	61.870,05	5.613.775,17

### b) Breach of Contractual Obligations

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

### 10.3) Guarantors

The Company has contracted guarantees with a financial institution for a total amount of 350.000,00 euros, a customary instrument when signing an interconnection agreement.

## NOTE 11. INFORMATION ON THE DEFERMENT OF PAYMENTS MADE TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DUTY TO INFORM" OF LAW 15/2010, OF JULY 5

In accordance with what is indicated in the third additional provision "Duty to provide information" of Law 15/2010, of 5 July, amending Law 3/2004, of December 29, establishing measures to combat late payment in commercial transactions, modified in turn by the Resolution of January 29, 2016, of the Institute of Accounting and Auditing of Accounts, on the information to be included in the notes to the annual accounts in relation to the average payment period to suppliers in commercial transactions, the following is reported:

	Payments Made and Outstanding at the Balance Sheet Date			
	Financial Year 2018 Days	Financial Year 2017 Days		
Average payment period	34,06	37,98		
Paid operations ratio	34,89	38,94		
Outstanding payments operations ratio	30,42	33,97		
	Financial Year 2018 Euros	Financial Year 2017 Euros		
Total payments paid	8.269.485,73	6.607.903,37		
Total outstanding payments	1.876.345,74	1.587.706,21		

### NOTE 12. INFORMATION ON THE NATURE AND LEVEL OF THE RISK FROM FINANCIAL INSTRUMENT

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

### 12.1) Credit Risk

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

The Company'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 management of the Company based on the experience of previous years and its assessment of the current economic environment.

### 12.2) Liquidity Risk

The general situation of financial markets, especially the banking market, has been particularly unfavourable for credit claimants. The Company 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.

### 12.3) Market Risk

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

### 12.4) Exchange Rate Risk

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

### 12.5) 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 13. EQUITY

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### 13.1) Share Capital

As of December 31, 2017 and December 31, 2018, 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.

As of December 31, 2018, there are no companies with a direct or indirect stake equal to or greater than 10% of the share capital.

As of December 31, 2017, the companies with a direct or indirect stake equal to or greater than 10% of the share capital were as follows:

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

### Capital Increase

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

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

- On June 1, 2015, it was agreed by the General Shareholders' Meeting to modify the system
  of representation of the shares, transforming the nominative securities representing the
  shares in which the Parent Company's capital is divided into account entries.
- On June 1, 2015, it was resolved by means of a General Meeting of Shareholders to modify the transmission regime of the shares of the Parent Company, passing this transfer of shares to be free and not subject to consent or authorization by the Company nor by shareholders
- On June 1, 2015, it was agreed by the General Meeting of Shareholders to request the incorporation in the segment of Companies in Expansion of the Alternative Stock Market of all the shares representing the Parent Company.
- On September 30, 2015, it was agreed to increase the Parent Company's Capital Stock by 84.745,78 euros through the issuance of 4.237.288 shares with a nominal value of 0,02 euros and an issue premium of 1,16 euros per share. This extension is fully subscribed and disbursed.

### 13.2) Reserves

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The breakdown for Reserves is as follows, in euros:

	31/12/2018	31/12/2017
Legal Reserve	47.503,72	47.503,72
Voluntary Reserves	1.394.506,07	1.418.661,70
	1.442.009,79	1.466.165,42

### a) Legal Reserve

The Legal Reserve is restricted with regard to its use, which is determined by a variety of legal provisions. In accordance with the Law Capital Companies, trading companies which obtain profits under this legal form are obliged to provide the reserve with 10% of these, until the constituted reserve fund reaches one fifth of the subscribed share capital. The purposes of the legal reserve are the compensation of losses or the increase of capital by the exceeding part of the 10% of the capital already increased, as well as its distribution to the shareholders in case of liquidation. At December 31, 2018, the Legal Reserve was not fully endowed.

### 13.3) 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.

### 13.4) Own Shares

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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 GVC Gaesco Valores SV, S.A, 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, 2018, the Parent Company holds own shares for an amount of 954.287,73 euros (935.557,23 euros at the end of the previous year).

### **NOTE 14. FOREIGN CURRENCY**

The most significant foreign currency balances as of December 31, 2018, totalized in euros and broken down into their foreign currency equivalent, are as follows:

	EUROS	USD	GBP	ZAR
CURRENT ASSETS				
Trade debtors and other accounts	3.405,75	3.843,11	14,72	
CURRENT LIABILITIES				
Trade creditors and other payable accounts	89.842,04	98,590,68	2.138,57	62.809,12

The most significant foreign currency balances as of December 31, 2017, totalized in euros and broken down into their foreign currency equivalent, were as follows:

	EUROS	USD	GBP
CURRENT ASSETS			
Trade debtors and other accounts	37.192,96	44.197,69	267,39
CURRENT LIABILITIES			
Trade creditors and other payable accounts	51.380,74	60.724,82	5

The most significant transactions carried out during the financial year 2018 totalized in euros and broken down into the equivalent in foreign currency, are as follows:

	EUR	QSD	GBP	d.	COP	MXN	ZAR	PNL	AED
Purchases and services received Sales and services given	1.108.095,49 64.744,85	963.609,63 76.754,09	226.826,53 54,96	7.546.771	12.983,584	118.913	332,715,14	2.745,10	4.492,50

The most significant transactions carried out during the financial year 2017 totalized in euros and broken down into the equivalent in foreign currency, are as follows:

	EUR	QSD	GBP	CLP	ZAR
Purchases and services received Sales and services given	733.708,31	726.114,45 97.248,05	59.937,81 317,83	8.920.780,00	116.557,23

### NOTE 15. TAX SITUATION

The following is the breakdown of the balances with the Tax Authorities as of December 31, 2018 and 2017 in Euros:

	31/12	/2018	31/12/	2017
	Active	Payable	Active	Payable
Non Current:				
Deferred tax assets	2.980,95	€.	138.100,65	
Current:				
Value Added Tax	3.257,82	38.711,70	2.613,78	13.014,27
Grants to be paid (*)	34.932,78	A Section Along	27,732,78	
Income Tax retentions		36.761,47		40.470,17
Social Security bodies	6.400,62	54.011,04	7.768,09	27 Nove 20 200 State 1
Income tax	2.375,03	100000000000000000000000000000000000000		44,495,00
	46.966,25	129.484,21	38.114,65	97.979,44
				The second secon

<sup>(\*)</sup> The amount of this heading relates mainly to a grant received in the previous year for the acquisition of fixed assets and miscellaneous service expenses. (See Note 19)

### Tax Matters

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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.

At December 31, 2018, the Company has all the taxes to which it is subject from 2014 to 2018 open for inspection by the tax authorities. Consequently, on the occasion of possible inspections, additional liabilities may arise to those recorded by the Company. However, the directors of the Company and its tax advisers consider that any such liabilities would not be material to the annual accounts taken as a whole.

### Corporate Income Tax

The conciliation of the net amount of income and expenses for the year 2018 with the tax base of the profit tax is:

	Pr	ofit and Loss Acco	unt
Financial year's earnings (After taxes)			(208.753,80)
	Increases	Decreases	Net effect
Profit Tax	135.119,70	*	135.119,70
Permanent differences	614.112,91	=	614.112,91
Offset of negative tax bases			(540.478,81)
Taxable income (tax result)			

The conciliation of the net amount of income and expenses for the year 2017 with the tax base of the profit tax is:

	P	rofit and Loss Accoun	nt
Financial year's earnings (After taxes)			(252.893,09)
	Increases	Decreases	Net effect
Profit Tax	(X <b>*</b> )	5	(#S
Permanent differences	604.143,32	<u> </u>	604.143,32
Offset of negative tax bases			(351.250,23)
Taxable income (tax result)			

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

	2018	2017
Charge at 25 % of Taxable Income	*	(1 <del>6</del>
Deductions	5	85
Net tax payable		92
ess: withholdings and payments	(42,40)	(6.358,22)
Tax payable	(42,40)	(6.358,22)

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

	2018	2017
Current tax	2 <b>÷</b> 5	(B)
Deferred tax	135.119,70	
Total	135,119,70	No.

The movement of deferred taxes generated and cancelled during financial year 2018 is detailed below in euros:

Balance at 31/12/2017	Cancelled	Balance at 31/12/2018
138.100,65	(135,119,70)	2.980,95
		31/12/2017 Cancelled

The movement of deferred taxes generated and cancelled during financial 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	85	138.100,65

### Tax Loss Carry forwards

Part of the tax base credits have been recognised, since they meet the requirements established by current legislation for their recognition and since there are no doubts as to the Group's ability to generate future taxable profits that will enable it to be recovered. The total amount capitalized in this concept is 2.980,95 euros. The detail of the tax loss carry forwards to be offset in future years is as follows:

1.330.543,36
138.100,65

### Deductions pending to apply

As of December 31, 2018, 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
2018	171.929,09
	2.312.852,97

### NOTE 16. INCOME AND EXPENSES

### a) Supplies

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

	2018	2017
Consumption of merchandise		
National	2.852.758,70	2.126.479,62
Intracommunity acquisitions	1.861.342,99	783.784,96
Imports	1.571.901,08	1.767.077,73
	6.286.002,77	4.677.342,31

### b) Social Security

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

	2018	2017
Social Security paid by the Company	477.065,88	435.998,39
Other social expenses	108.154,33	126.274,82
Employee welfare expenses	585,220,21	562,273,21

### c) Financial Results

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

40.026,78 465,50	45.480,58 17.182,24
200 CO AND	
465,50	17,182,24
Total destruction of the second	
40.492,28	62.662,82
(91.219,17)	(96.184,56)
(91.219,17)	(96.184,56)
(33.441,01)	(8.467,07)
(582.127,69)	(575.000,00)
(666.295,59)	(616.988,81)
	(91.219,17) ( <b>91.219,17</b> ) (33.441,01)

### NOTE 17. INFORMATION ON THE ENVIRONMENT

The Company 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 18. EVENTS AFTER THE BALANCE SHEET DATE

Following December 31, 2018, there were no relevant events affecting the Company annual accounts on that date.

# NOTE 19. TRANSACTIONS WITH RELATED PARTIES

# 19.1) Balances between Related Parties

Below is the breakdown of the balances held with related parties as of December 31, 2018 in Euros:

Outstanding balances with related parties in 2018	LLEDA NET UK	LLEIDA NET USA	LLEDA	LLEIDA REP. DOMINIC.	LIBADES ESPAÑOLAS	LLEDANET BRASIL	LLEIDANET PERÚ	LLEIDANET COSTA RICA	Total
NON CURRENT ASSETS	57.818,18	55.671,88	es-	28.890,36	3.000,00	24.524,85	110.155,69	1.381,38	281.442,34
Long-term loans to group companies	57.818,18	55.671,88	Th.	28.890,36	3.000,00	24.524,85	110.155,69	1.381.38	281,442,34
to group companies Impairment	632,818,18 (575,000,00)	233.633,48 (177.961,60)	0.850	28.890,36	3.000,00	24,524,85	110.155,69	1.381,38	1.034.403,94 (752.961,60)
CURRENT ASSETS	113.893,73	791.649,93	265.401,64	3.520,56		872,78	7.564,08		1.182,902,72
Trade receivables Clients	36.975,75	718.541,79 718.541,79	255.551,49 255.551,49	3.520,56 3.520,56	17.6	er	3.587,49	eva.	1.018.177,08 1.018.177,08
Short-term loans to group companies Short-term loans	76.917,98	73,108,14	9.850,15	ï	£	872,78	3.976,59	×	164.725,64
to group companies	76.917,98	73.108,14	9.850,15	%i.	9	872,78	3.976.59	:#	164.725,64
CURRENT LIABILITIES	2.029,12	239.472,20	2,005,74	2.033,83	施	60	274	ii.	245.540,89
Trade payables Suppliers	2.029,12	239.472.20	2.005,74	2.033,83	7-1	16.4	S EVER	yes.	245.540.89

Below is the breakdown of the balances held with related parties as of December 31, 2017 in Euros:

NON CURRENT ASSETS         26.466,21         504.482,54         93.404,89         20.364,40         3.000,00         24.524,85         77.976,58         1.381,3           Long-term loans to group companies         26.466,21         504.482,54         93.404,89         20.364,40         3.000,00         24.524,85         77.976,58         1.381,3           Long-term loans to group companies         601.466,21         504.482,54         93.404,89         20.364,40         3.000,00         24.524,85         77.976,58         1.381,3           Long-term loans to group companies         15.314,50         331.434,55         136.608,99         2.768,76         -         -         522,46           Clients         15.314,50         331.434,55         136.608,99         2.768,76         -         -         522,46           Clients         15.314,50         331.434,55         156.608,99         2.768,76         -         -         522,46           Short-term loans to group         54.770,88         61.206,40         8.199,12         -         -         522,46           CURRENT LIABILITIES         2.029,12         228,959,55         -         2.033,83         -         -         -         522,46           Suppliers         2.033,83         - <td< th=""><th>Outstanding balances with related parties in 2017</th><th>LLEDA</th><th>LLEIDA</th><th>LLEMA</th><th>LLEIDA REP. DOMINIC.</th><th>PORTABI- LIDADES ESPAÑOLAS</th><th>LLEIDANET BRASIL</th><th>LLEIDANET</th><th>LLEBANET COSTA RICA</th><th>Total</th></td<>	Outstanding balances with related parties in 2017	LLEDA	LLEIDA	LLEMA	LLEIDA REP. DOMINIC.	PORTABI- LIDADES ESPAÑOLAS	LLEIDANET BRASIL	LLEIDANET	LLEBANET COSTA RICA	Total
s         26.466,21         504.482,54         93.404,89         20.364,40         3.000,00         24.524,85         77.976,58           res         601.466,21         504.482,54         93.404,89         20.364,40         3.000,00         24.524,85         77.976,58           res         (575.000,00)         30.005,00         24.524,85         77.976,58         77.976,58           res         15.314,50         331.434,55         136.608,99         2.768,76         -         -         522,46           es         15.314,50         331.434,55         136.608,99         2.768,76         -         -         522,46           s to group         54.770,88         61.206,40         8.199,12         -         -         522,46           BILITIES         2.029,12         228.959,55         -         2.033,83         -         -         522,46           2.029,12         228.959,55         -         2.033,83         -         -         -         -           2.029,12         228.959,55         -         2.033,83         -         -         -	ON CURRENT ASSETS	26.466,21	504.482,54	93.464,89	20.364,40	3,000,00	24.524,85	77.976,58	1.381,38	751.600,85
test         601.466.21 (575.000.00)         504.482.54 (575.000.00)         93.404,89         20.364,40         3.000,00         24.524,85         77.976,58           ETS         70.085.38         392.640,95         144.808,11         2.768,76         3.000,00         24.524,85         77.976,58           es         15.314.50         331.434.55         136.608,99         2.768,76         3.2766,76         3.2246           s to group         54.770,88         61.206,40         8.199,12         3.033,83         3.033,83         3.234,66           BILITIES         2.029,12         228.959,55         2.033,83         3.033,83         3.033,83	ong-term loaus o group companies	26.466,21	504,482,54	93,404,89	20,364,40	3.000,00	24.524.85	77.976,58	1.381,38	751,600,85
ETS         70.085,38         392,640,95         144,808,11         2.768,76         -         522           es         15.314,50         331,434,55         136,608,99         2.768,76         -         -         522           s to group         54.770,88         61,206,40         8.199,12         -         5.203,12         5.203,12         5.203,83         -         5.203,83           BILITIES         2.029,12         2.28,959,55         -         2.033,83         -         -         522           2.029,12         2.28,959,55         -         2.033,83         -         -         5.203,83	group companies	(575.000,00)	504,482,54	93.404,89	20.364,40	3.000,00	24.524,85	77.976,58	1.381,38	1,326,600,85 (575,000,00)
es 15.314.50 331.434.55 136.608,99 2.768.76	URRENT ASSETS	70,085,38	392,640,95	144.808,11	2.768,76	V.	*	522,46	#	610.825,66
\$ to group         \$4.770,88         \$61.206,40         \$199,12         -         \$222           to group         \$4.770,88         \$61.206,40         \$199,12         -         522           BILITIES         \$2.029,12         \$2.033,83         -         522           2.029,12         \$2.8959,55         -         \$2.033,83         -         523,833,83	rade receivables lients	15.314,50 15.314,50	<b>331.434,55</b> 331.434,55	136.608,99 136.608,99	2.768,76	4 6	9. KG	0.6	76. <i>ke</i>	<b>486.126.80</b> 486.126,80
to group 54.770,88 61.206,40 8.199,12	nort-term loans to group ompanies	54.770,88	61.206.40	8.199,12	5	19	ξą.	522,46	938	124.698,86
BILITIES 2.029,12 228,959,55 - 2.033,83 - 2.029,12 228,959,55 - 2.033,83 - 2.029,12 228,959,55 - 2.033,83 - 2.029,12 228,959,55 - 2.033,83 - 2.029,12 228,959,55 - 2.033,83 - 2.029,12 228,959,55 - 2.033,83 - 2.029,12 228,959,55 - 2.033,83 - 2.029,12 228,959,55 - 2.033,83 - 2.029,12 228,959,55 - 2.033,83 - 2.029,12 228,959,55 - 2.033,83 - 2.029,12 228,959,55 - 2.033,83 - 2.029,12 228,959,55 - 2.039,83 - 2.	nort-term loans to group impanies	54.770,88	61,206,40	8.199,12	×	7	æ	522,46	3	124,698,86
2.029,12 228.959,55 - 2.033,83 - 2.029,12 228.959,55 - 2.033,83 - 2.039,12 - 2.033,83 -	URRENT LIABILITIES	2.029,12	228.959,55	ri <u>e</u>	2.033,83	0	***			233.022,50
	rade payables uppliers	2.029,12 2.029,12	228.959,55 228.959,55	1382	<b>2.033,83</b> 2.033,83	123	SESE	67.0	222	233.022,50 233.022,50

### 19.2) Transactions with Related Parties

The most significant transactions carried out with associated parties at financial year 2018 are as follows, in Euros:

Operation with related parties in the year	LLEIDA NET USA	NET UK	COLOMBIA	LLEIDANET PERÚ	LLEIDANET REP. DOMINICANA
Sales	387.107,24	21.661,25	119.320,75	3.587,49	751,80
Purchases	10.512,65		10.000 movements (1)	1000 market	
Interest incomes	11.901,74	22.147,10	1.651,03	3.454,13	872,78

The most significant transactions carried out with associated parties at financial year 2017 are as follows, in Euros:

Operation with related parties in the year	LLEIDA NET USA	LLEIDA NET UK	LLEIDA NET COLOMBIA	LLEIDANET REP. DOMINICANA
Sales	226.470,82	10.852,35	118.433,59	734,93
Purchases	107.843,67		TURNAM TRACESTS	11/10/25/2017/25
Interest incomes	19.478,99	21.051,34	4.427,75	1.672.17

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

The remuneration accrued during the financial year 2018 by the Board of Directors amounted to 72.000 euros (84.750 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 219.361,07 euros (176.895,88 euros in the previous year).

As of December 31, 2018 and 2017, 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 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 Company, 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 2018 and 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:

		2018			- 1-0	2017		
	Men	Women	Total	Disability greater than or equal to 33%	Mea	Women	Total	Disability greater than or equal to 33%
Senior Executives	1	1	2	540	L	1	2	120
Administration		4	4	1		4	4	1
Commercial	5	10	15		6	7	13 21	2.00
Production	21	5	26	548	17	4	21	963
Maintenance	-	2	2	724		2	2	326
Reception		5	5	191	054	4	4	545
Business development	2	4	6		2	5	7	
Compliance	2	2	2	C-4.00	-	82	2	1997
Human Resources	32	1	î		-	- 1	1	200
Intellectual Property	25	1	1	147CB		-	2	•
TOTAL	29	35	64	1	26	28	54	1

The amount of the fees accrued for the audit services of the Annual Accounts for the year ended 31 December 2018 amounted to 13.150 euros. (12.800 euros in the previous year). The amount of the fees for other verification services corresponding to the limited review of the interim financial statements amounted to 9.535 euros. Likewise, the fees accrued for other services corresponding to the completion of the transfer pricing dossier amounted to 2.000 euros.

It is reported that during the year the Company paid the premium corresponding to the civil liability policy that would eventually cover the damages caused to third parties by acts or omissions related to the performance of their functions. The premium amounted to 19.107 euros (19.107 euros in the previous year).

### NOTE 21. SEGMENTED INFORMATION

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

n 1	20	018	20	017
Business Areas (figures in thousands of euros)	Euros	%-	Euros	%
Certified electronic communications SMS Solutions Data Validation	1.868 9.260 950	15,47% 76,67% 7,86%	1.543 7.288 825	15,97% 75,48% 8,55%
Total	12.078	100%	9.656	100%

The breakdown, by geographical market, of the net turnover relating to the Company's ordinary activities is as follows:

	201	8	201	7
Description of the geographic market	Euros	%	Euros	%
National	5.973.172,35	49,45%	5.577.991,62	57,77%
European Union	3.519,619,00	29,15%	2.522.047,72	26,12%
Rest of the World	2.585.230,77	21,40%	1.555.740,55	16,11%
Total	12.078.022,12	100%	9.655.779,89	100%

# LLEIDANETWORS SERVEIS TELEMÀTICS, S.A. DIRECTOR'S REPORT FOR FINANCIAL YEAR 2018

# LLEIDANETWORS SERVEIS TELEMÀTICS, S.A. DIRECTOR'S REPORT FOR FINANCIAL YEAR 2018

In compliance with the provisions of the Spanish Companies Act, the Board of Directors hereby submits the directors' report for the year in order to complement, expand and comment on the balance sheet, the profit and loss account and the report corresponding to fiscal year 2018.

### 1. EVOLUTION OF BUSINESS

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For the company, 2018 was a year with significant growth rates in both sales and EBITDA.

Sales have grown in the SaaS line by 19%, consolidating Lleida.net as a reference in the contracting and notification sector. The continuous investment in R&D processes has allowed us to expand the range of services offered, as well as to improve the existing ones. The diversity of the range of products and the adaptability of the company to the needs of customers has allowed it to reach new customers and develop standard products for lower volume customers.

Internally developed processes are patented globally and create entry barriers to competition. Additionally, the European homologation of electronic delivery products certified by EIDAS, opens a range of possibilities at European level, Lleida.net being the only Spanish company that has the homologation and the Sixth at European level.

The business line that has grown the most this year is the line of SMS solutions for Wholesale. With a growth rate of 49%, which represents an increase of more than 2.2 million euros with respect to the previous year, it reflects that Lleida.net has become a key player in the sector. The technology developed internally has allowed to take advantage of business opportunities. The new international destination routes negotiated by the team have turned Lleida.net into a reference company within the market.

Sales by business lines - Thousands of euro	2017	2018	Var. €	Var.%
SaaS Services	2,368	2.818	450	19%
SMS Solutions	2.830	2.636	-194	-7%
ICX WHOLESALE Solutions	4.458	6.624	2,166	49%
Total	9.656	12.078	2.422	25%

Data in Thousands of Euros	2017	2018	Var. €	Var.%
Sales	9.656	12.078	2.422	25%
Cost of Sales	(4.677)	(6.286)	1.609	34%
Gross Margin	4.979	5.792	813	16%
Payroll	(2.198)	(2.400)	202	9%
External Services	(2.157)	(2.263)	106	5%
Other incomes	43	23	(20)	-47%
Activations	849	787	(62)	-7%
EBITDA	1.516	1.939	423	28%
Amortizations	(1.073)	(1.148)	75	7%
Indemnities	(77)	(198)	121	157%
Profit from operations	366	593	227	62%
Financial Net Result	(35)	(52)	17	49%
Impairment and gains or losses on disposi-	(575)	(582)	7	1%
Exchange Rate Differences	(9)	(33)	24	267%
Profit before tax	(253)	(74)	179	71%

The Gross Margin has increased by 16%, 813 compared to 2017, due to the increase in sales. The gross margin on sales stands at 48% while in 2017 it was 51.6%. The decrease is caused by the greater weight of Wholesale SMS sales over total sales.

In 2018, the company made a strong effort to attract talent. The average workforce has increased by 10 people, representing 19% over the previous year and has led to a 9% increase in cost. The main areas reinforced were the R&D&I department with the incorporation of personnel with higher degrees and the constitution of the compliance and Intellectual Properties departments.

External services expenses rose by 97 thousand euros this year, mainly due to the necessary consultancy and audit costs to obtain EIDAS approval and the costs of incorporating Lleida.net shares into trading on Euronext Growth in Paris. Additionally, an R&D collaboration amounting to more than 100 thousand euros has been allocated.

EBITA reached 1.9 million euros, accounting for 16% of sales, deriving both from the increase in sales and from more exhaustive cost control. Following the criterion of prudence, the group has opted to activate a lower amount of R&D activities in order to avoid possible fiscal contingencies, although the pace of R&D expenditure is maintained. This is the tenth quarter that the Group has positive EBITDA.

The result of the company has increased by 179 thousand euros, representing an increase of 71% despite the provision of participation and loans to Lleida.net USA. The company, following the criterion of prudence, has opted to provision part of the investment made in the subsidiary. The slower process of obtaining profits, and due to the fact that international commercial efforts have focused more intensely on Europe, Latin America and Africa, has led to this measure, although the United States continues to be a target market for the period 2019 and 2020.

### 2. SIGNIFICANT EVENTS OCCURRING AFTER THE CLOSURE

Subsequent to December 31, 2018 and up to the date of preparation of this Directors' Report, there have been no subsequent events, in addition to those already mentioned in the Notes to the annual accounts, which highlight circumstances that already existed at December 31, 2018 and which, due to the importance of their economic impact, should lead to adjustments in the financial statements or modifications to the information contained in the Explanatory Notes.

Nor are there any subsequent events, other than those already mentioned in the Explanatory Notes, that demonstrate conditions that did not exist at December 31, 2018 and that are of such importance that they require additional information in the Explanatory Notes to the annual accounts.

### 3. SUSCEPTIBLE EVOLUTION OF SOCIETY

The forecasts for 2019 are to increase the company's gross margin in euros, reinforcing sales of certified products through the consolidation of products at an international level.

### 4. R&D ACTIVITIES

In 2018 the Company has invested 787 thousand euros in research activities which have focused mainly on the development of a qualified system of certified electronic delivery based on the verification of data in situ.

### 5. OPERATIONS WITH OWN SHARES

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

The Board of Directors on August 12, 2016 approved the acquisition of own shares with a maximum amount of 200 thousand euros. The programme was extended until 12 August 2018 following the agreement of the Board of Directors on August 7, 2017.

At December 31, the company held 992.257 shares with a valuation on that date of 930.068,51 euros, representing 6.18% of the shares of Lleidanetworks Serveis Telemàtics, S.A.

### 6. FINANCIAL INSTRUMENTS

During 2018 the Company has not used instruments related to financial derivatives.

### 7. DEFERRALS OF PAYMENT TO SUPPLIERS

Information on deferrals of payment to suppliers is shown in the annual accounts in Note 11.

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### PREPARATION OF ANNUAL ACCOUNTS AND DIRECTOR'S REPORT

In compliance with company law, the Board of Directors of **LLEIDANETWORS SERVEIS TELEMÀTICS, S.A.** draws up the Annual Accounts and the Director's Report for the financial year ended December 31, 2018, which comprises the attached pages number 1 to 46.

Barcelona, March 25, 2019 Board of Directors

Mr. Francisco Sapena Soler Chairman and Chief Executive Officer

> Mr. Miguel Pérez Subias Independent Director

Mr. Jordi Carbonell i Sebarroja Independent Director

Investor Group composed of Sepi Desarrollo Empresarial, S.A., Empresa Nacional de Innovación, S.M.E., S.A. & Cántabro Catalana de Inversiones, S.A. represented by Mr. Jorge Sainz de Vicuña External Director Mr. Marcos Gallardo Meseguer Secretary

Mr. Antonio López del Castillo Independent Director

Mrs. Arrate María Usandizaga Ruíz Executive Director

Institut Català de Finances Capital, S.G.E.I.C., S.A.U. Represented by

> Mr. Emilio Gómez Jané External Director

