

**Control 7, S.A.**  
**(Single-member Company)**

Condensed Financial Statements  
for the year ended December 31<sup>st</sup>  
2017 with the Auditor's Report

**FINANCIAL STATEMENTS AUDIT REPORT ISSUED BY AN  
INDEPENDENT AUDITOR**

To the Sole Shareholder of CONTROL 7, S.A. (Sole Shareholder Entity)

***Opinion***

We have audited the attached Financial Statements of the Company CONTROL 7, S.A.U. that include the balance sheet as of December 31, 2017, the profit and loss account, the statement of changes in equity, and the Notes to the Financials for the year then ended.

In our opinion, the attached Financial Statements express, in all material respects, a true and fair value of the Company's equity and financial position as of December 31, 2017, as well as its results and cash flows for the year then ended, in accordance with the regulatory framework for financial information that results from application (which is identified in Note 2.1 of the Notes) and, in particular, with the accounting principles and criteria contained therein.

***Basis of opinion***

We have carried out our audit in accordance with the Spanish standard audit regulations. Our responsibilities in accordance with these standards are described in the *Auditor's Responsibility regarding to the audit of the Financial Statements* caption of this report.

We are independent of the Company in accordance with the requirements of ethics, 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. In this sense, we have not provided services other than those of the audit of financial statements nor have concurred situations or circumstances that, in accordance with the provisions of the aforementioned regulatory regulations, have affected the necessary independence so that it has been compromised.

We consider that the audit evidence we have obtained provides a sufficient and adequate basis for our opinion.

***Emphasis of matters***

Without qualifying our opinion, we draw attention to what indicated in Note 2.4 of the attached Notes, which mentions that the Board of Directors has formulated the accompanying financial statements for the year ended December 31<sup>st</sup>, 2017 according the principle of going concern to understand that the measures and actions approved by the Directors and the financial support of the Sole Shareholder will allow to continue with the normal development of the Company and to meet its obligations, also getting positive results and positive cash flows in the next years to recover fixed assets and the deferred tax assets activated.

The Company CONTROL 7, S.A.U. is a subsidiary of the "Elsamex" Group and, depending on the cash-pooling policy of the Group, the Company provides and receives financial support from those group companies that require it in the extent and period as necessary. At December 31, 2017 the balance presented by the financial statements in respect of credit lines delivered and / or received in respect of this policy is classified in the balance sheet items denominated "*Current Investments in Group companies or Associates*" or "*Current liabilities from Group or Associates companies*" as appropriate.

### ***Key audit matters***

The key audit matters are those that, according to our professional judgment, have been considered as the most significant material misstatement risks in our audit of the Financial Statements of the current period. These risks have been addressed in the context of our audit of the Financial Statements as a whole, and in the formation of our opinion on them, and we do not express a separate opinion on those risks. We have determined that there are no significant risks considered in the audit that should be reported.

### ***Responsibility of the Board of Directors in relation to the Financial Statements***

The Board of Directors of the Company is responsible for preparing the accompanying Financial Statements, so as to give a true and fair value of the assets, financial position and results of the Company, in accordance with the regulatory framework of financial information applicable to the entity in Spain, and 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 Company's Board of Directors is responsible for assessing the Company's ability to continue as a going concern, revealing, as appropriate, the issues related to the company in operation and using the accounting principle of operating company except the Board of Directors intends to liquidate the company or cease its operations, or there is no other realistic alternative.

### ***Auditor's responsibility regarding to the audit of the Financial Statements***

Our objectives are to obtain reasonable assurance that the Financial Statements taken as a whole are free of material misstatement, due to fraud or error, and to issue an audit report that contains our opinion. Reasonable assurance is a high degree of security, but does not guarantee that an audit carried out in accordance with current auditing regulations in Spain will always detect a material error when it exists. The misstatements may be due to fraud or error and are considered material if, individually or in an aggregate way, it can reasonably be expected to influence the economic decisions that users make based on the Financial Statements.

As part of an audit in accordance with the regulatory rules for auditing accounts in Spain, we apply our professional judgment and maintain an attitude of professional skepticism throughout the audit. As well:

- We identify and address the risks of material misstatement in the 2017 Financial Statements, due to fraud or error, design and apply audit procedures to respond to such risks and obtain sufficient and adequate 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, since the fraud may involve collusion, falsification, deliberate omissions, intentionally erroneous statements, or circumvention of internal control.



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- We obtain knowledge of the internal control relevant to the audit in order to design audit procedures that are appropriate according to the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We value if the accounting policies applied are adequate and the reasonableness of the accounting estimates and the corresponding information disclosed by the management.
- We conclude on whether the use, by the Board of Directors, of the accounting principle of the operating company is adequate and, based on the audit evidence obtained, we conclude on whether there is a material uncertainty related to events or conditions that may generate significant doubts about the Company's ability to continue as a going concern basis. 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, that we express an amended opinion. Our conclusions are based on the audit evidence obtained to date from our audit report. However, future events or conditions may cause the Company to cease on a going concern basis.
- We evaluate the overall presentation, structure and content of the 2017 Financial Statements, including the disclosed information, and whether the 2017 Financial Statements represent the underlying transactions and events in a way that manages to express the fair value.
- We obtain sufficient and adequate evidence in relation to the financial information of the entities or business activities within the Company to express an opinion about the Financial Statements. We are responsible for the direction, supervision and performance of the Company's audit. We are solely responsible for our audit opinion.

We communicate with the Company's Management regarding, among other matters, the scope and timing of the audit and the significant findings of the audit, as well as any significant internal control deficiencies that we identified during the course of the audit.

Among the significant risks that have been reported to the Board of Directors of the entity, we determine those that have the greatest significance in the audit of the Financial Statements of the current period and that are, consequently, the risks considered most significant.

We describe these risks in our audit report unless legal or regulatory layouts banned publicly disclosing the issue.

April 27<sup>th</sup> 2018

CABALLERO AUDITORES, S.L.  
R.O.A.C. n° S-2265

Ángel Caballero  
Partner (R.O.A.C. N° 17601)



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## CONTROL 7, S.A.U.

### ABRIDGED BALANCE SHEET AS AT DECEMBER, 31ST 2017

(Euros)

ACTIVO	Notes	Year 2017	Year 2016	EQUITY & LIABILITIES	Notes	Year 2017	Year 2016
<b>NON-CURRENT ASSETS</b>				<b>EQUITY</b>	<b>Note 11</b>		
Intangible fixed assets	Note 5	1,088,496	1,406,011	<b>OWN FUNDS-</b>		81,469	337,140
Research and Development		81,292	397,281	Capital		81,469	337,140
Property, plant and equipment	Note 6	450,427	461,827	Subscribed capital		550,516	550,516
Land & buildings		326,432	330,658	Reserves		550,516	550,516
Technical installations and other items		123,995	131,169	Legal and statutory		879,314	879,314
<b>Non-current investments in group companies and associates</b>				Other reserves		88,331	88,331
Equity instruments	Note 8.1	96,600	96,600	Profit/(loss) for the year		790,983	790,983
Loans to companies	Nota 18.1	90,350	90,350	Profit previous years		(255,672)	(449,778)
Non-current investments		6,250	6,250			(1,092,690)	(642,911)
Other financial assets		1,300	1,300	<b>NON-CURRENT LIABILITY</b>			
Deferred tax asset	Note 14	458,877	449,003	Non-current payables	<b>Note 12</b>	1,288,337	82,391
				Non-current finance lease payables		40,123	61,321
				Other financial liabilities		4,443	1,851
				Group companies and associates		35,680	59,470
				Deferred tax liability	<b>Note 14</b>	1,227,188	-
						21,026	21,070
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>	<b>Note 12</b>		
Inventories			750,020	Current payables		641,428	1,736,500
Advances to suppliers	Note 9	736,373	648,290	Current finance lease payables		28,916	34,948
Trade and other receivables		692,648	604,658	Other financial liabilities		5,083	10,883
Trade receivables	Note 18	42,367	42,367	Group companies and associates, current	<b>Note 18</b>	23,832	24,265
Trade receivables from group companies and associates		102	-	Trade and other payables	<b>Note 12</b>	137,949	1,239,070
Personnel		1,256	1,255	Suppliers		474,563	462,482
Current tax assets	Note 14	163,629	61,038	Suppliers, Group companies and associates		206,254	183,499
Current investments in group companies and associates	Note 18	163,629	2,615	Personnel(salaries payable)		185,740	189,387
Other financial assets		13,905	2,615	Public entities, other	<b>Note 14</b>	723	1,595
Current investments		13,905	2,615	Advances from customers		80,937	72,845
Other financial assets		-	-			910	15,155
Prepaid expenses		8,833	38,077	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,011,234</b>	<b>2,156,032</b>
Cash and cash equivalents		8,833	38,077				
Treasury							
<b>TOTAL ASSETS</b>		<b>2,011,234</b>	<b>2,156,032</b>				

The Notes 1 to 20 described in the attached Report form an integral part of the balance sheet at 31st December, 2017



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## CONTROL 7, S.A.U.

### ABRIDGED INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31ST, 2017

	Notes	Year 2017	Year 2016
<b>CONTINUED OPERATIONS</b>			
<b>Turnover</b>	<b>Note 16.a)</b>	<b>2,299,970</b>	<b>2,088,023</b>
Provision of services		2,299,970	2,088,023
<b>Works performed by the company for its assets</b>	<b>Nota 5</b>	<b>-</b>	<b>-</b>
<b>Supplies</b>	<b>Note 16.b)</b>	<b>(281,456)</b>	<b>(281,396)</b>
Consumption of raw materials and other consumables		(102,313)	(112,102)
Works carried out by other companies		(179,144)	(169,293)
<b>Other operating income</b>		<b>11,057</b>	<b>11,208</b>
<b>Personnel expenses</b>	<b>Note 16.c)</b>	<b>(1,513,379)</b>	<b>(1,433,717)</b>
Wages, salaries and similar		(1,165,857)	(1,124,714)
Social charges		(347,522)	(309,002)
<b>Other exploitation expenses</b>	<b>Note 16.d)</b>	<b>(481,149)</b>	<b>(544,927)</b>
Outside services		(456,860)	(433,690)
Taxes		(5,768)	(5,393)
Losses, impairment and variation of provision for trade operations		(18,520)	(105,844)
<b>Amortization of fixed assets</b>	<b>Note 5 y 6</b>	<b>(345,959)</b>	<b>(339,468)</b>
<b>Other income/(losses)</b>		<b>-</b>	<b>-</b>
<b>RESULTS FROM OPERATING ACTIVITIES</b>		<b>(310,916)</b>	<b>(500,276)</b>
<b>Financial income</b>		<b>2,802</b>	<b>3,003</b>
- From group companies and partners	<b>Nota 18.1</b>	2,802	3,000
- From third parties		-	4
<b>Financial expenses</b>		<b>(64,587)</b>	<b>(69,147)</b>
For debt with group companies and partners	<b>Nota 18.1</b>	(62,186)	(67,004)
For debts with third parties		(2,401)	(2,144)
<b>NET FINANCIAL GAINS/(LOSSES)</b>		<b>(61,786)</b>	<b>(66,144)</b>
<b>PROFIT BEFORE TAX</b>		<b>(372,701)</b>	<b>(566,421)</b>
Income Tax	<b>Note 14</b>	117,030	116,642
<b>PROFIT AFTER TAXES</b>		<b>(255,672)</b>	<b>(449,778)</b>
<b>PROFIT FOR THE YEAR</b>	<b>Nota 3</b>	<b>(255,672)</b>	<b>(449,778)</b>

Notes 1 to 20 of the attached Notes to the Financial Statements form an integral part of the income statement for 2017



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## CONTROL 7, S.A.U.

### ABRIDGED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED DECEMBER 31ST, 2017 A) ABRIDGED STATEMENT OF RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD ENDED DECEMBER

31ST, 2016

(Euros)

	Notes	Year 2017	Year 2016
RESULT OF THE LOSS AND PROFIT ACCOUNT (I)		(255,672)	(449,778)
TOTAL INCOMES AND EXPENSES DIRECTLY CHARGED ON NET EQUITY (II)		-	-
TOTAL TRANSFERS TO LOSS AND PROFIT ACCOUNT (III)		-	-
<b>TOTAL RECOGNIZED INCOMES AND EXPENSES (I+II+III)</b>		<b>(255,672)</b>	<b>(449,778)</b>

The Notes 1 to 20 described in the attached Report form an integral part of the statement of recognized incomes and expenses corresponding to year 2017



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## CONTROL 7, S.A.U.

### ABRIDGED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED DECEMBER 31ST, 2017 B) ABRIDGED STATEMENT OF CHANGES IN TOTAL NET WORTH

(Euros)

	Capital	Reserves	Profit of previous years	Profit of the year	TOTAL
<b>BALANCE AT YEAR END 2015</b>	<b>550,516</b>	<b>879,314</b>	<b>(579,667)</b>	<b>(91,994)</b>	<b>758,169</b>
Total recognized incomes and expenses	-	-	-	(449,778)	(449,778)
Other changes in net assets	-	-	28,750	-	28,750
Application of profit 2015	-	-	(91,994)	91,994	-
<b>BALANCE AT YEAR END 2016</b>	<b>550,516</b>	<b>879,314</b>	<b>(642,911)</b>	<b>(449,778)</b>	<b>337,141</b>
Total recognized incomes and expenses	-	-	-	(255,672)	(255,672)
Other changes in net assets	-	-	-	-	-
Application of profit 2015	-	-	(449,778)	449,778	0
<b>BALANCE AT YEAR END 2017</b>	<b>550,516</b>	<b>879,314</b>		<b>(255,672)</b>	<b>81,469</b>

The Notes 1 to 20 described in the attached Report form an integral part of the statement of changes in net equity corresponding to year 2017



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**Control 7, S.A.U.**  
Abridged Report for  
year ending  
31 December 2017

**1. Incorporation and activity**

**Incorporation**

Control 7, S.A.U (hereinafter the Company) was incorporated as public limited company on 19th July 1990; its corporate name has not been modified since the incorporation. On 22 June 2011, it was declared an individual company.

The corporate address of the Company is in Zaragoza; its facilities are located in industrial area Malpica C/E 59-61 Nave 9 – 50057, where the Company carries out the main activity.

**Corporate Purpose**

During period 2011, and as a consequence of the merger by acquisition, the corporate purpose was changed to the following:

- a. Research, development and consulting works in the areas of engineering, construction, environment, food, quality of life, industry in general and related products.
- b. Works related to quality system including: project, manufacturing, installation, maintenance, inspection and tests in the areas described in section a).
- c. Purchase of building plots and lands for urban development and zoning, real estate construction and their use, lease and sale in blocks or in apartments.
- d. Transportation industry directly carried out with the social purposes described in the sections above, on their own and on third party's behalf, on their own or third party's vehicles and even transport vehicles in general.
- e. Consulting services and drafting of technical studies and reports concerning public works, building, zoning and planning, industry, mining, agriculture and environment.
- f. Analysis, testing and technical control of projects, materials, works and facilities, as well as construction quality control.
- g. Drafting of studies, reports and other technical works concerning cartography, geotechnology, ecology, hydrology and environment.
- h. Works management for any type of facilities, buildings, infrastructure and any type of properties in general.

The activities included in the corporate purpose may be totally or partially developed by the Company indirectly through the holding of shares or stakes in other companies engaging in identical or analogous activities.

All activities for which special requirements are required by Law and not fulfilled by the Company shall be excluded. If required by Law, any activity subject to the holding of some sort of professional title shall be carried out by a person holding said required title.

The Company is part of Elsamex Group, whose parent company is Elsamex, S.A., with corporate address in San Severo, 18, Madrid; this is the company that prepares the consolidated financial statements. The consolidated financial statements of Elsamex Group for period 2017 have been prepared by the Directors in the meeting of the Board of Directors held on 31 March 2018. The consolidated financial statements for period 2016 were approved at the General Shareholders' Meeting of Elsamex, S.A., held on 30 June 2017, and they were deposited in the Business Registry of Madrid. In turn, Elsamex Group is controlled by an international group whose controlling company is "Infrastructure Leasing & Financial Services Limited (IL&FS)", with business address in Bombay [Mumbai] (India) Bandra – Kurla Complex.



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## **2. Presentation principles for the abridged financial statements**

### **2.1 Financial Information Framework applicable to the Company**

The abridged financial statements have been prepared by the Directors in accordance with the financial information framework applicable to the Company, established in:

- a) Code of Commerce and other additional mercantile legislation.
- b) General Accounting Plan, approved by Royal Decree 1514/2007, and sector adaptations.
- c) Mandatory regulations approved by the Institute of Accounting and Accounts Auditing in the development of the General Accounting Plan and complementary rules.
- d) Other applicable Spanish accounting regulations.

### **2.2 True and fair view**

The accompanying abridged financial statements, which were prepared from the Company's accounting records, are presented in accordance with the Spanish General Accounting Plan approved by Royal Decree 1514/2007, which was modified by Royal Decree 1159/2010 and, accordingly, present fairly the Company's equity, financial position, results and cash flows for the related year. These abridged financial statements, which have been prepared by the Company Directors, will be submitted for the approval of the Sole Shareholder, and are expected to be approved without any amendment. The financial statements for period 2016 were approved in the General Shareholders' Meeting held on 30 June 2017.

### **2.3 Non-obligatory accounting principles applied**

Non-obligatory accounting principles have not been applied. Also, the directors of the Company formally prepared these abridged financial statements by taking into account all the obligatory accounting principles and standards with a significant effect thereon. There is not any obligatory accounting principle that has not been applied.

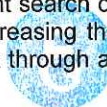
### **2.4 Critical aspects of valuation and estimation of uncertainty**

In preparing the accompanying abridged financial statements estimates were made by the Company's Directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. Basically these estimations refer to:

- The useful life of the intangible and tangible assets (see Notes 4.1 and 4.2)
- The evaluation of possible losses by impairment of certain assets (see Notes 4.1, 4.2, and 4.4).
- The calculation of supplies (see Note 4.10).
- The calculation of executed works pending invoicing and works certified in advance. (Note 4.8)

Although these estimates were made on the basis of the best information available at 2015 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

The Company has incurred losses which meant a reduction in shareholders' equity, and there is a negative working capital. These reasons question the capacity of the Company to settle its assets and liabilities for the amounts and according to the classification found on the attached abridged balance sheet, which was prepared assuming that such activity will continue. There are several reasons which contribute to reduce or eliminate any doubts about the capacity of the Company to continue as going concern. These reasons are the financial support of the sole shareholder, as well as the possibility of reducing expenses without decreasing the operating capacity of the Company, as it can be inferred from the budget for year 2018 and the business plan approved by the Company's Directors. Said business plan is based on certain theories and trends of the market, namely: a commercial market expansion plan focused on specific market niches; client search outside the group; it includes obtaining enough revenues to reach a positive result in 2018, as well increasing the provision of positive cash flows compared to previous financial years, and reducing the financial cost through a reduced indebtedness with the Sole Shareholder.



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## 2.5 Comparative information

For comparative purposes and in compliance with corporate legislation, each entry of the abridged balance sheet, the abridged profit and loss account, and the abridged statement of changes in net equity include the amounts for the previous financial year along with those for year 2017. The notes to the financial statements also include this type of information for the previous period, unless otherwise stated by an accounting standard.

## 2.6 Grouping of entries

Certain items in the abridged balance sheet, abridged profit and loss account and abridged statement of changes in net equity are grouped together to facilitate their understanding; however, whenever the amounts involved are significant, the information is broken down in the related notes to the financial statements. There are not any equity items entered in two or more entries.

## 2.7 Changes in accounting principles

During the accounting period 2017 no changes in accounting principles have arisen with regards to the principles applied in the accounting period 2016.

## 2.8 Correction of errors

In preparing the accompanying abridged financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the abridged financial statements for 2016.

## 3. Distribution of profits

The proposal for the application of the results of the period prepared by the Company's Directors, to be submitted for the approval of the General Shareholders' Meeting, is the following:

	Euros
<b>Distribution basis:</b>	
Profit and loss (Losses)	(255,672)
	<b>(255,672)</b>
<b>Distribution:</b>	
To negative results from previous periods	(255,672)
	<b>(255.672)</b>

## 4. Accounting standards and measurement bases

The main accounting standards and measurement bases used by the Company in the preparation of their abridged financial statements, in accordance with those set out by the General Accounting Plan, were the following:

### 4.1 Intangible assets

The assets grouped under this heading are valued by their acquisition price or cost of production and subsequently reduced by the corresponding accrued amortization and losses through impairment, should there be any.

If there are indications of loss of value, the Company estimates by means of the "Impairment test" the possible losses of value that reduce the redeemable value of said assets to an amount below their book value.

a) Research and development expenditure:



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With respect to the research and development expenditure, these are capitalized when they fulfil the following conditions:

- They are specifically itemised by project and the related costs can be clearly identified.
- There are sound reasons to foresee the technical success and economic and commercial profitability of the related projects.

The assets thus generated are amortized linearly over their years of useful life (over a maximum period of 5 years from the beginning of their use, since it is estimated that it will generate future income).

If there are doubts about the technical success or economic profitability of the project then the amounts entered in the assets are recognized directly in the abridged profit and loss account for the period.

b) Industrial property:

Under this account the amounts paid for the acquisition of title to or the right to use the related items, or for the expenses incurred in registration of the rights developed by the Company are recognised.

c) Computer software:

The Company enters in this account the costs incurred in the acquisition and development of computer programs. Computer software maintenance costs are recognized with a charge to the abridged profit and loss account for the period in which they are incurred. Computer software is amortized by applying the linear method over a term between 3 and 5 years.

#### 4.2 Property, plant and equipment

The assets grouped under this heading are valued by their acquisition price or cost of production and subsequently reduced by the corresponding accrued amortization and losses through impairment, should there be any.

If there are indications of loss of value, the Company estimates by means of the "Impairment test" the possible losses of value that reduce the redeemable value of said assets to an amount below their book value.

The Company amortizes property, plant and equipment following the linear method, applying annual amortization percentages calculated depending on the estimated years of useful life of the respective assets, in accordance with the following detail:

	Percentage
Construction	2-7
Machinery	12
Other installations, tools and furniture	10-25
Computer equipment	25
Transport items	12

The expenses for conservation and maintenance of property, plant and equipment elements are allocated to the abridged profit and loss account of the period in which they are incurred. However, the amounts invested in improvements that contribute to increasing the capacity or efficiency or to expanding the useful life of said assets are registered as a higher cost.



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### 4.3 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. The rest of leases are classified as operating leases.

#### When the Company is the lessee – Finance lease

In finance leases in which the Company acts as the lessee, the cost of the leased assets is presented in the abridged balance sheet, based on the nature of the leased asset, and, simultaneously, a liability is recognised for the same amount. This amount will be the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option, when it is reasonably certain that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under the lease are allocated to the abridged income statement for the year in which they are incurred using the effective interest method. Contingent rent is recognised as an expense for the period in which it is incurred.

Leased assets are depreciated, based on their nature, using similar criteria to those applied to the items of property, plant and equipment.

#### When the Company is the lessee – Operating lease

Expenses resulting from operating leases are charged to income in the year in which they are incurred.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

### 4.4 Financial Instruments

#### 4.4.1 Financial assets

Classification –

Financial assets of the Company are classified in the following categories:

- a) Loans and items receivable: financial assets originating in the sale of goods or in the provision of services through the Company's trading operations, or those that do not have a commercial origin, are not equity instruments or derivatives and the charges of which are a fixed or specific amount and are not negotiated in an active market.
- b) Held-to-maturity investments: debt securities, with fixed maturity and determinable payments, quoted in an active market, on which the Company states their will and capacity to keep them until maturity.

Initial recognition-

The financial assets are entered initially at the fair value of the consideration delivered plus the transaction costs that may be directly attributable, unless they are financial assets for negotiation, in which case, the transaction costs that may be directly attributable to them are to appear in the abridged profit and loss account for the period.

Subsequent measurement –

Loans, items receivable and investments maintained until maturity are valued by their amortized cost.

At least at the close of each period the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the appropriate write-down is recognised in the abridged income statement.



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The Company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred.

However, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained.

#### 4.4.2 Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the business and those which, not having commercial substance cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

#### 4.4.3 Equity instruments

An equity instrument represents a residual sharing in the Company Equity once all liabilities have been deducted.

Capital instruments issued by the Company are entered in the net equity for the amount received, net of issuing costs.

### 4.5 **Stock**

This section recognises prepaid advances to suppliers for pending services.

### 4.6 **Corporate tax**

Tax expense (tax on profits) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current tax expense is the amount payable by the Company as a result of tax on profits settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, as well as tax loss carryforwards from prior years effectively offset in the current year, reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, as well as the negative tax bases pending compensation and the credits for tax credit not fiscally applied. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit nor taxable profit, and except for those associated with investments in subsidiaries, associates and joint ventures in which the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets, on the other hand, are only recognised to the extent that it is considered probable that the Company will have sufficient taxable profits in the future against which it will be possible to recover them.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised directly in net equity.



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At each period end the assets entered for deferred tax are re-assessed, the appropriate corrections being made to them insofar as there are doubts about its future recovery. Similarly, at each period end the assets are evaluated for deferred tax not entered on the balance sheet and these are subject to entry insofar as its recovery is likely with future tax profits.

By decision of the General Shareholder's Meeting on December 26th 2011, it was chosen to tax in the Corporate Tax through the tax consolidation regime in accordance with Chapter VII of Title VII of the Corporate Tax Act since October 1st 2007; the parent Company Elsamex S.A. is responsible for filing and paying the Corporate Tax of the tax group. For this reason, at the end of the financial year the payable or receivable balances for the Corporate Tax are included classified in deposit accounts with companies of the group at short term.

#### **4.7 Environment**

Assets of environmental nature are those used long-term in the Company's activity. Their main purpose is the minimization of environmental impact and the protection and improvement of the environment, including the reduction or elimination of future pollution.

Due to its nature, the Company's activity does not have a significant environmental impact.

#### **4.8 Revenue and expenditure**

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes, incorporated interests or similar items.

In order to adjust revenues in the period in which they are accrued, the Company adopts the principle of provisioning those projects in progress at the close of the period, in accordance with their level of advancement, notwithstanding the date of issue of the invoice.

The estimations used in calculating the level of advancement include the effect that the margin of certain liquidations under process might have, and that the Company estimates at the moment as reasonably achievable.

The account "Clients by works or services pending certification or invoice", included in the heading "Clients by sales and provision of services" of the asset of the balance sheet, represents the difference between the amount of the contract work executed, including the adjustment to registered margin by applying the level of advancement, and that certified until the date of the balance sheet.

If the amount of the production at origin of a work is below the amount of the certifications issued, the difference is contained in heading "Advances Clients" of liabilities in the balance sheet.

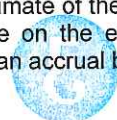
#### **4.9 Provisions and contingencies**

In preparing the abridged financial statements, the Company Directors differentiate between:

- a) Provisions: credit balances covering present obligations arising from past events, whose cancellation will probably cause an outflow of resources, although they are uncertain in their amount and/or timing of cancellation.
- b) Contingent liabilities: possible obligations arising as a consequence of past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events, not wholly within the Company's control and which are not reasonably calculable.

The abridged financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not included in the abridged financial statements, but the information about them can be found in the report notes, provided they are not considered as remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences; adjustments made to provisions are recognised as a financial cost on an accrual basis.



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The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable. In this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

#### **4.10 Termination Benefits**

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken. The accompanying abridged financial statements do not include any provision in this connection, since no situations of this nature are expected to arise.

#### **4.11 Principles used in transactions between related parties**

One party is considered linked to another when one of them or a group acting together exercises or has the power to exercise, directly or indirectly or in accordance with agreements between shareholders or participants, control over another or has significant influence over the other in the making of financial or operational decisions.

In any case, related parties are:

- a) Companies which are considered to be a company of the group, associate or multi-group, in accordance with article 42 of the Commercial Code.
- b) Natural persons who, directly or indirectly, hold participation in the voting rights of the Company, or in its dominant entity, to enable them to exercise a significant influence over one or another. Close relatives of these natural persons are also included.
- c) The key staff of the Company or of its dominant entity, understood as the natural persons with authority and responsibility over the planning, management and control of the Company's activities, either directly or indirectly, including the directors and executive managers. Close relatives of these natural persons are also included.
- d) Companies over which any of the persons mentioned in b) and c) above can exercise a significant influence.
- e) Companies that share any director or manager with the Company; except in case this person does not have any significant influence in the financial and management policies of the Company.
- f) Persons who are considered as close relatives of the Company administration's agent, if this person is a legal person.
- g) The pension plans for the employees of the Company or of any other which is a party linked to this.

For the purposes of this rule, close relatives are understood to be those who could exercise influence in, or be influenced by, this person in his/her decisions relating to the Company. These include:

- a) The spouse or person with an analogous relationship;
- b) The ascendants, descendants and siblings and the respective spouses or persons with an analogous relationship;
- c) The ascendants, descendants and siblings of the spouse or persons with an analogous relationship;
- d) Persons for whom the spouse or person with an analogous relationship is responsible for or persons with an analogous relationship;

The Company carries out all its operations with entities linked to market values. In addition, transfer prices are adequately supported so that the Company Directors consider that there are not any significant risks related to this aspect from which liabilities for future consideration could be derived.



## 5. Intangible assets

The movements occurring under this heading of the abridged balance sheet during periods 2017 and 2016, as well as the most significant information affecting this section are as follows:

Financial Year 2017:

	Euros		
	31/12/2016	Additions	31/12/2017
Cost:			
Research	1,597,473	-	1,597,473
Computer software	7,142	-	7,142
	<b>1,604,615</b>	<b>-</b>	<b>1,604,615</b>
Accumulated Amortization:			
Research	(1,200,191)	(315,989)	(1,516,180)
Computer software	(7,142)	-	(7,142)
	<b>(1,207,333)</b>	<b>(315,989)</b>	<b>(1,523,322)</b>
<b>Net value</b>	<b>397,281</b>	<b>(315,989)</b>	<b>81,292</b>

Financial Year 2016:

	Euros		
	31/12/2015	Additions	31/12/2016
Cost:			
Research	1,597,473	-	1,597,473
Computer software	7,142	-	7,142
	<b>1,604,615</b>	<b>-</b>	<b>1,604,615</b>
Accumulated Amortization:			
Research	(890,578)	(309,614)	(1,200,191)
Computer software	(7,142)	-	(7,142)
	<b>(897,720)</b>	<b>(309,614)</b>	<b>(1,207,333)</b>
<b>Net value</b>	<b>706,895</b>	<b>(309,614)</b>	<b>397,281</b>

The activated research projects that continue to be amortized are the following:

- "Development of new fiber reinforced bituminous mixtures (FIBRASCONT)", amounting to 915,101 euro.
- "Use of Purifier Ash as Filler in Bituminous Mixtures and Improvement of Granular Bases (CENIZAS)", for the amount of 402,497 euro.
- Investigation, belonging to old projects, for an amount of 279,875 euro

At the end of accounting periods 2017 and 2016, the Company had intangible assets that were completely amortized and which continued in use for a value of EUR 288,159.



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## 6. Property, plant and equipment

The movements occurring under this heading of the abridged balance sheet during periods 2017 and 2016, as well as the most significant information affecting this section are as follows:

### Financial Year 2017

	Euros		
	31/12/2016	Additions	31/12/2017
<b>Cost:</b>			
Lands	61,578	-	61,578
Construction	380,475	-	380,475
Technical Installations-Machinery-Fixtures	608,629	12,911	621,540
Other installations - Furniture	260,984	4,815	265,799
Equipment for information processing	47,420	843	48,262
Transport items	70,617	-	70,617
	1,429,702	18,569	1,448,271
<b>Accumulated Amortization:</b>			
Construction	(111,394)	(4,226)	(115,621)
Technical Installations-Machinery-Fixtures	(496,234)	(18,434)	(514,668)
Other installations - Furniture	(253,369)	(3,988)	(257,357)
Equipment for information processing	(45,921)	(562)	(46,482)
Transport items	(60,957)	(2,760)	(63,717)
	(967,875)	(29,970)	(997,844)
<b>Net value</b>	<b>461,827</b>	<b>(11,401)</b>	<b>450,427</b>

### Financial Year 2016

	Euros		
	31/12/2015	Additions	31/12/2016
<b>Cost:</b>			
Lands	61,578	-	61,578
Construction	380,475	-	380,475
Technical Installations-Machinery-Fixtures	606,129	2,500	608,629
Other installations - Furniture	259,133	1,851	260,984
Equipment for information processing	46,034	1,386	47,420
Transport items	59,117	11,500	70,617
	1,412,465	17,237	1,429,702
<b>Accumulated Amortization:</b>			
Construction	(107,168)	(4,226)	(111,394)
Technical Installations-Machinery-Fixtures	(478,902)	(17,332)	(496,234)
Other installations - Furniture	(247,336)	(6,033)	(253,369)
Equipment for information processing	(45,498)	(423)	(45,921)
Transport items	(59,117)	(1,840)	(60,967)
	(938,021)	(29,854)	(967,875)
<b>Net value</b>	<b>474,444</b>	<b>(12,617)</b>	<b>461,827</b>

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment elements are subject. The Company Directors consider that the coverage of these risks on 31 December 2017 and 2016 is the appropriate.

At the close of periods 2017 and 2016 the Company had elements of property, plant and equipment completely amortized which were still in use for a value of 830,120Euros and 804,626 Euros respectively.



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## 7. Leasing

### Operating leases

At the close of accounting periods 2017 and 2016 the Company has contracted the following minimum leasing quotas with the lessors, in accordance with the current contracts in force, and not taking into account implications of common expenses, future increases due to the CPI or future updates in income agreed under contract:

	Nominal value	
	2017	2016
Less than one year	82,116	64,908
<b>Total</b>	<b>82,116</b>	<b>64,908</b>

In their capacity of lessor, the most significant operating leasing contracts that the Company has at the close of period 2017 are the following:

- Lease of a warehouse in Tarazona. The lease contract started on 1st March 2010, with a duration until 28th February 2011. Since then, it has been renewed annually, up to a maximum of 10 annuities. With regard to the contingent rent, the contract is referenced to annual increases as a function of the CPI.
- Nevertheless, most of the accrued expenditure under this heading corresponds to the rental of vehicles and machinery for the different projects of which the Company makes part.

### Financial leasing

At the close of accounting periods 2017 and 2016 the Company, as a financial lessee, has some leased assets included in accordance with the following information:

#### Financial Year 2016

Financial leasing Minimum quotas	2017		2016	
	Nominal value	Current value	Nominal value	Current value
Less than one year	5,198	5,083	10,976	10,683
Between one and five years	4,498	4,443	1,857	1,851
<b>Total</b>	<b>9,696</b>	<b>9,526</b>	<b>12,833</b>	<b>12,534</b>

## 8. Group, multi-group and associated companies

### 8.1 Equity instruments

#### Financial Year 2017

Investee	Address	Activity	% Participation	Euros			
				Amount	Equity		
					Capital Company	Reserves	Result
Geotecnia y Control de Qualitat	C/ Begurdá nº 15, bloque B, nave 11, Polígono Industrial Can Bernadés- Subirá, 08130 Santa Perpetua de Mogola, Barcelona	Laboratory	50%	90,350	200,000	(7,268)	1,971
				<b>90,350</b>			

Financial Year 2016

Investee	Address	Activity	% Participation	Euros			
				Amount	Equity		
					Capital	Reserves	Result
Geotecnia y Control de Qualitat	C/ Begurdá nº 15, bloque B, nave 11, Polígono Industrial Can Bernadés- Subirá, 08130 Santa Perpetua de Mogola, Barcelona	Laboratory	50%	90,350	200,000	(9,144)	1,876
				<b>90,350</b>			

**9. Short-term financial assets**

The breakdown of the Company's financial assets is the following at the close of the accounting period 2017:

**Credits and entries receivable**

The detail of the abridged balance sheet as of 31 December 2017 and 2016 is as follows:

	Euros	
	2017	2016
<b>Customers by sales and provision of services:</b>		
Customers	692,648	604,658
Customers, group companies	42,317	42,317
Delinquent Customers	318,256	299,736
Provision for bad debts	(318,256)	(299,736)
	<b>734,965</b>	<b>646,975</b>
<b>Customers, Group businesses current accounts (Note 18):</b>	<b>93,059</b>	-
<b>Personnel:</b>	<b>102</b>	-
<b>Short-term financial investments</b>	<b>13,904</b>	<b>2,615</b>
<b>Total</b>	<b>749,022</b>	<b>649,640</b>

**10. Information on the nature and level of risk of financial instruments**

The management of the financial risks of the Company is centralized in Financial Management, which has established the necessary mechanisms to control exposure to variations in the interest rates, as well as to the credit and liquidity risks. The main financial risks that impact on the Company are mentioned below:

a) Credit risk:

In general, the Company holds its treasury and equivalent liquid assets in financial bodies with a high credit level.

b) Liquidity risk:

In order to guarantee the liquidity and to be able to fulfil all the payment commitments deriving from its activity, the Company relies on the Treasury shown in its abridged balance sheet, as well as on short-term financial investments which are detailed in Note 9.

c) Market risk:

Both the Treasury and the short-term financial investments of the Company are exposed to the interest rate risk, which could have an adverse effect on the financial results and on the cash flow. Therefore, the Company has a



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policy of investing in financial assets which are almost not exposed to interest rate risks; financial assets are chosen for the solidity of their financial worth and the issuing institutions.

## **11. Own funds**

### ***11.1 Share capital***

The Company's share capital is represented by 9,160 registered shares of 60.10 Euros nominal value each, fully subscribed and paid in. All shares have the same political and economic rights.

The shareholder of the Company as of 31st December is as follows:

	% Participation
CIESM-Intevía, S.A.U	100%
<b>Total</b>	<b>100%</b>

The shares are not quoted on the Stock Exchange.

### ***11.2 Legal reserve***

In accordance with the Corporations Act, an amount equal to 10% of the period's profit must be allocated to the legal reserve until this reaches, at least, 20% of the share capital. Such reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for that purpose.

### ***11.3 Voluntary reserves***

These are unrestricted reserves.

Any distribution of profits is not allowed unless the amount of the reserves available is at least the same as the amount of the research and development expenses entered in the assets of the abridged Balance sheet.

## **12. Financial liabilities**

The Company's financial liabilities are itemized as follows at close of years 2017 and 2016:



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	Euros	
	2017	2016
<b>Long-term financial liabilities:</b>		
Other financial liabilities	35,680	59,470
Debts with group companies	1,227,188	-
<b>Total non-current financial liabilities</b>	<b>1,262,868</b>	<b>59,470</b>
<b>Short-term financial liabilities:</b>		
<b>Short-term debts:</b>		
Other financial liabilities	23,832	24,265
	23,832	24,265
<b>Debts with group companies (Note 18):</b>	<b>137,949</b>	<b>1,239,070</b>
<b>Trade creditors and other accounts payable:</b>		
Suppliers	206,254	183,500
Suppliers group companies and associates	185,740	189,387
Personnel	723	1,595
Advances Clients	910	15,155
	393,627	389,637
<b>Total current financial liabilities</b>	<b>555,408</b>	<b>1,652,792</b>

### 13. Payments to suppliers

Below, the information required by the Additional third disposition of Law 15/2010 of 5 July is detailed.

	Payments made and pending payment at the close date of the abridged Balance Sheet	
	2017	2016
PMP (days) of payments	96	95

Data contained in the chart above on payments to suppliers refer to those which, by nature, are commercial creditors by debts with suppliers of goods and services, so they include data related to the item "Suppliers" of the current liabilities of the abridged balance sheet.

The excess pondered average term (PMPE) of payments has been calculated as the quotient formed in the numerator by adding the products of each payment to suppliers made in the period with a deferment above the legal term of payment and the number of days of deferment which exceeds the term, and in the denominator the total amount of payments made in the period with a deferment above the legal term of payment.



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#### 14. Public Administrations and fiscal situation

The composition of this section of the attached abridged balance sheet at 31 December 2017 and 2016 is as follows:

	Euros			
	31/12/2017		31/12/2016	
	Balances Debtors	Balances Creditors	Balances Debtors	Balances Creditors
Deferred tax assets	458,877	-	449,003	-
Deferred tax liabilities	-	21,026	-	21,070
<b>Long-term balances with Public Administrations</b>	<b>458,877</b>	<b>21,026</b>	<b>449,003</b>	<b>21,070</b>
Public Treasury, debtor for VAT, IGIC, IPSI	1,256	-	1,256	-
Public Treasury, withholdings Income Tax (IRPF)	-	39,774	9	41,389
Social Security institutions payable	-	41,163	-	31,456
<b>Short-term balances with Public Administrations</b>	<b>1,256</b>	<b>80,937</b>	<b>1,265</b>	<b>72,845</b>

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At close of period 2017 the Company has not any ongoing inspection. The Directors consider that the above-mentioned tax obligations have been adequately settled. Therefore, in the event of a fiscal inspection and considering there were any disagreements in the usual prevailing interpretation because of the fiscal treatment granted to operations, future resulting liabilities, if any, would not significantly affect these abridged financial statements.

#### **Value Added Taxes**

By decision of the Sole Shareholder's Meeting on 26th December 2011, it was chosen to tax in the Value Added Tax through the tax consolidation regime in accordance with Chapter IX of Title IX of the Value Added Tax Act since 1st January 2008; the parent Company, Elsamex S.A., is responsible for filing and paying the Value Added Tax of the tax group. For this reason, at the end of the period the payable or receivable balances for the Value Added Tax are included classified in current accounts with group companies.

#### **Tax on Profits**

By decision of the Sole Shareholder on 26th December 2011, it was chosen to tax in the Corporate Tax through the tax consolidation regime in accordance with Chapter VII of Title VII of the Corporate Tax Act since 1st October 2007; the parent Company, Elsamex, S.A., is responsible for filing and paying the Corporate Tax of the tax group. For this reason, at the end of the financial year the payable or receivable balances for the Corporate Tax are included classified in current accounts with group companies.

#### **Accounting reconciliation and taxable base result**

The reconciliation between accounting result and taxable base of the Corporate Tax is as follows:



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Financial Year 2017

	Euros	
	Share Payable	Expense/ Income
Earnings before taxes	(372,701)	93,175
Permanent differences: Non-tax deductible expenses	500	(125)
Temporary differences: Amortization limit	40,112	(10,028)
<b>Taxable base (Tax result)</b>	<b>(332,089)</b>	<b>93,050</b>
R&D deduction		19,902
Last year adjustment		4,078
<b>Corporate tax expenses</b>		<b>117,030</b>

Financial Year 2016

	Euros	
	Share Payable	Expense
Earnings before taxes	(566,421)	(141,605)
Adjustments		
Temporary differences: Amortization limit	(6,248)	
Permanent differences: Non-tax deductible expenses	99,852	24,963
<b>Taxable base (Tax result)</b>	<b>(472,817)</b>	<b>116,642</b>
Deductions		
<b>Corporate tax expenses</b>		<b>116,642</b>

Deferred tax assets Taxable base (Tax result)

The movement in the account for Assets for deferred tax on profits during period 2017 is as follows:

	Balance at 31/12/2016	Increase	Balance at 31/12/2017
R&D pending deduction	420,375	19,902	440,277
Assets for deferred tax on Profits	28,628	(10,028)	18,600
	449,003	9,874	458,877

The decrease produced this year is due to deferred assets generated as a consequence of the limit on amortization and the creation of pending R & D deductions.

In accordance with current legislation, fiscal losses of a period may be offset, for tax purposes, against the profits of tax periods that end in the immediate 18 following years. However, the final amount to be offset by these fiscal losses may be amended in consequence of the comparison of the accounting periods in which they occur.



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Deferred tax liabilities

Financial Year 2017

	Euros		
	Balance at 31/12/2016	Adjustments	Balance at 31/12/2017
Fiscal treatment for leasing contracts	21,070	(44)	21,026
	<b>21,070</b>	<b>(44)</b>	<b>21,026</b>

Financial Year 2016

	Euros		
	Balance at 31/12/2015	Adjustments	Balance at 31/12/2016
Fiscal treatment for leasing contracts	24,516	(3,446)	21,070
	<b>24,516</b>	<b>(3,446)</b>	<b>21,070</b>

Temporary differences originated in financial year 2008 arise as a result of the different consideration, for accounting and tax purposes, of the expenditure recorded by the Company during the period of technical amortization of the properties and rights of use from financial leases, by application of Royal Decree 4/2004 of 5 March, of Corporate Tax. Royal Decree 4/2004, of 5 March, regarding Corporate Tax.

**15. Contingent Liabilities**

At 31 December 2017 and 2016, the Company has been granted several guarantees demanded in order to contract with Public Entities for an amount of 12,150 and 20,040 Euros, respectively.

**16. Revenue and expenditure**

**a) Net turnover amount**

The distribution of net turnover for periods 2017 and 2016, by business categories. The geographical market is the Spanish territory. The distribution is as follows:

Division	Euros	
	2017	2016
Services to third parties	2,299,970	2,088,023
	<b>2,299,970</b>	<b>2,088,023</b>

**b) Purchases**

The breakdown of this section of the abridged profit and loss account for the accounting period ending on 31 December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Purchase of other materials	102,313	112,102
Works carried out by other companies	179,144	169,293
	<b>281,456</b>	<b>281,396</b>

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The detail, by origin, of the purchases made by the Company in 2017 and 2016 is as follows:

	Euros			
	2017		2016	
	Nationals	Intra-Community	Nationals	Intra-Community
Purchases	274,994	6,462	281,396	-

**c) Personnel expenditure**

The breakdown of the "Personnel expenditure" entry in the abridged profit and loss account as of 31 December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Wages, salaries and similar expenses	1,165,857	1,124,714
Employer social security costs	347,522	309,003
<b>Total</b>	<b>1,513,379</b>	<b>1,433,717</b>

The average number of persons employed during accounting periods 2015 and 2014, broken down into categories, is as follows:

Categories	2017	2016
Technical personnel and middle management	53	55
Administration personnel	2	2
Unqualified personnel	1	4
<b>Total</b>	<b>56</b>	<b>61</b>

In accordance with the requirements of Art. 260, 8th of the Corporate Law, distribution by gender is shown for the end of the period for the Company's personnel, broken down by category for the accounting periods 2016 and 2015:

Categories	2017		2016	
	Men	Women	Men	Women
Technical personnel and middle management	31	22	32	23
Administration personnel	1	1	1	1
Unqualified personnel	1	-	4	-
<b>Total</b>	<b>33</b>	<b>23</b>	<b>37</b>	<b>24</b>



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#### d) Other operating expenses

The detail for this section of the attached abridged profit and loss account for accounting periods 2017 and 2016 is as follows:

	Euros	
	2017	2016
Leases and royalties	82,117	64,909
Repairs and maintenance	45,333	30,531
Independent professional services	30,089	17,348
Transport	-	-
Insurance premiums	6,441	9,446
Bank services and other similar	1,390	4,736
Supplies	15,029	17,492
Other services	276,462	289,228
Other taxes	5,768	5,393
Losses, impairment and variation of provision for trade operations (Note 9)	18,520	105,844
	<b>481,149</b>	<b>544,927</b>

During financial year 2016, the fees for account auditing services provided by the auditors of the Company, Caballero Auditores, S.L. and Ms. Laura Tahoces, have been as follows:

Description	2017	2016
Auditing Services	10,320	11,000
<b>Total professional services</b>	<b>10,320</b>	<b>11,000</b>

#### 17. Environmental aspects

In view of the main business activities carried out by the Company, it does not have any significant responsibilities, expenses, assets or provisions or contingencies of an environmental nature in relation to the equity, financial situation and results. For this reason, the specific details are not included in these abridged notes, and also there is not a greenhouse gas emission allowance assigned or acquired.

The Company's Directors consider that there are no contingencies related to the protection and improvement of the environment and do not consider it necessary to enter any resource to the provision for risks and expenses of an environmental nature as at 31 December 2017 and 2016 in the abridged financial statements.

#### 18. Operations with related parties

##### 18.1 Balances and transactions with group companies

The detail of the balances and transactions made during accounting periods 2017 and 2016 between the Company and Elsamex Group companies is as follows:



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Financial Year 2017:

	Euros											
	Accounts receivable			Accounts payable			Income		Expenditure		Finance	
	Long-term credits	Customers	Short-term credits	Long term debts	Suppliers	Short-term debts	Services provided	Services received	Expenditure	Income	Expenditure	Income
CIESM-Intevia, S.A.U.	-	-	-	-	137,949	-	9,107	73,566	3,754	-	-	-
CGI-8, S.A.	-	1,125	-	-	-	-	-	-	-	-	-	-
Señalización, Viales e Imagen, S.A.U	-	-	15,309	-	-	-	-	-	-	-	-	701
Elsamex, S.A.	-	-	93,059	1,227,188	-	177,435	-	189,635	58,432	-	-	-
Elsamex Internacional, S.L.U.	-	-	15,641	-	-	-	-	-	-	-	-	655
Grusamar Ingeniería y Consulting, S.L.U	-	-	22,790	-	-	8,305	-	8,305	-	-	-	1,041
Geotecnia y control de Qualitat S.A.	6,250	41,242	-	-	-	-	-	-	-	-	-	-
Atenea Seguridad y Medio Ambiente S.A.U	-	-	16,829	-	-	-	15,405	-	-	-	-	405
<b>TOTAL</b>	<b>6,250</b>	<b>42,367</b>	<b>163,629</b>	<b>1,227,188</b>	<b>137,949</b>	<b>185,740</b>	<b>24,512</b>	<b>271,506</b>	<b>62,186</b>	<b>24,512</b>	<b>62,186</b>	<b>2,802</b>

Financial Year 2016:

	Euros									
	Accounts receivable				Accounts payable		Income		Expenditure	
	Long-term credits	Customers	Short-term credits	Loans	Services provided	Services received	Expenditure	Income	Expenditure	Income
CIESM-Intevia, S.A.U.	-	-	-	14,023	48,051	68,538	-	288	-	-
CGI-8, S.A.	-	1,125	-	-	327	-	-	-	-	-
Señalización, Viales e Imagen, S.A.U	-	-	13,803	-	-	-	-	635	-	-
Elsamex, S.A.	-	-	-	1,222,942	-	192,819	66,277	-	-	-
Elsamex Internacional, S.L.U.	-	-	14,986	-	-	-	-	592	-	-
Grusamar Ingeniería y Consulting, S.L.U	-	-	32,249	-	37,640	8,677	-	1,485	-	-
Geotecnia y control de Qualitat S.A.	6,250	41,242	-	-	12,840	31,292	-	-	-	-
Atenea Seguridad y Medio Ambiente S.A.U	-	-	-	2,106	-	-	727	-	-	-
<b>TOTAL</b>	<b>6,250</b>	<b>42,367</b>	<b>61,038</b>	<b>1,239,070</b>	<b>98,859</b>	<b>301,326</b>	<b>67,004</b>	<b>3,000</b>	<b>67,004</b>	<b>3,000</b>



The Company has included in its accounts throughout period 2017 the amount of 184,923 EUR and in 2016 the amount of 188,634 EUR for structure expenses allocated by the parent company.

The services rendered and received between related parties correspond to the realization of the work of our own personnel in projects of the different companies of the group and are valued at market prices.

The short-term credit lines used between related parties accrue a fixed interest rate of 5%.

On December 31, 2017 the company formalized a participative loan with the Elsamex, S.A.U. In order to rebalance the Company's net worth at the end of the year, this loan was granted for an amount of 1,227,188 Euros and accrues fixed interest at Euribor + 1%.

## 18.2 Remuneration to the Board of Directors and Senior Management

During periods 2017 and 2016, no amount has been incurred for allowances or remunerations of any kind in favour of the Company's Directors. Also, there is not any kind of loan advance, life insurance, pension plan or benefit for any other concept.

There is no senior management in the Company. The managers of the Group, Elsamex, carry out the management of this Company.

## 18.3 Detail of shares in companies with similar activities and performance of the Administrative Body of similar activities on their own or another's behalf

Pursuant to Article 229.2 and 3 of the Spanish Corporate Law, in order to reinforce corporate transparency, it is informed that at the close of accounting periods 2017 and 2016 the members of the Board of Directors of Control 7, S.A.U. have not held shares in companies with the same, analogous or complementary type of activity of the corporate purpose of the company. Similarly, no activities have been carried out or are being carried out, on their own or another's behalf, with the same, analogous or complementary type of activity of the Company's corporate purpose, except for those activities which the company may carry out in other Group companies.

## 19. Segment information

The Company considers that the best segmental information which represents the different business areas is the following:

	Studies Geotechnical	Quality control of Works	Advisory Technical	Tests	Total
Sales	453,481	51,575	787,006	1,007,909	2,299,970
EBITDA	41,909	(5,773)	45,786	(46,878)	35,043
Depreciation	(71,030)	(7,517)	(111,192)	(156,220)	(345,959)
<b>EBIT</b>	<b>(29,121)</b>	<b>(13,291)</b>	<b>(65,406)</b>	<b>(203,098)</b>	<b>(310,916)</b>

## 20. Subsequent Events

After the close of the period, and until the date of preparation of these abridged financial statements, no significant subsequent events have occurred that should be mentioned.



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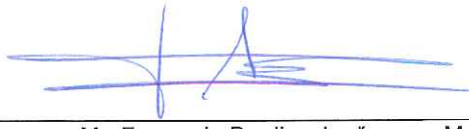
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## Procedure for Preparation of Abridged Financial Statements

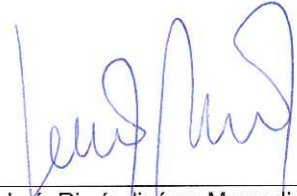
In compliance with the provisions established in the Corporations Act, the Board of Directors of Control 7, S.A.U. prepared on 31 March 2018 the abridged annual accounts for accounting period 2017, which shall be submitted for the approval of the Sole Shareholder.



Mr. Aurelio Ruiz Rubio



Mr. Fernando Bardisa Jordá



Mr. Jesús Rincón Jiménez Momediano



Mr. Javier Lorenzo Gracia Abadías

