REGISTERED NUMBER: 12497729 (England and Wales)

LORCA JVCo LIMITED

Annual Report and Consolidated Financial Statements the period from 4 March 2020 (incorporation date) to 31 December 2020

LORCA JVCO LIMITED
REGISTERED NUMBER: 12497729
COMPANY INFORMATION
FOR THE PERIOD FROM 4 MARCH 2020 (DATE OF INCORPORATION) TO 31 DECEMBER 2020

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INDEPENDENT AUDITORS:	KPMG LLP 15 Canada Square London England E14 5GL

STRATEGIC REPORT

The Directors present their strategic report on the affairs of Lorca JVCO Limited (the "Company") for the period from 4 March 2020 (date of incorporation) to 31 December 2020.

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

REVIEW OF THE BUSINESS

The Company is a holding company formed as part of a group operating in the Telecoms industry in Spain.

This business combination converted the acquired Group into the fourth largest telecommunications operator in Spain. Consequently, this strategic report describes the Group's performance since the date of the business combination as well as certain aggregates referring to events, agreements, etc. that occurred prior to the acquisition of the MASMOVIL Group.

The key trends in the Spanish telecommunications market that had begun years before continued in 2020. Broadband continued to grow to 15.8 million lines, driven by the residential market and the development of ultrafast broadband networks (FTTH and HFC), which together now account for more than 86.7% of all accesses, to the detriment of xDSL technology. The marketing of convergent service packages (fixed, mobile and pay TV) with higher capacities and speeds, continues to grow, with a penetration rate of around 88%.

The Group surpassed 11.4 million customers in 2020, more than double the number it had when the MASMOVIL Group acquired Yoigo and Pepephone in 2016. It is noteworthy that this was achieved in a record time of only 4 years.

In 2020, almost 9 million users in Spain switched their fixed broadband and cell phone companies thanks to portability, the regulated procedure that allows users to switch to a different operator for free and keep their phone number. The MASMOVIL Group led net portability in 2020 by snatching 264,000 mobile and 206,000 fixed and Internet (ADSL and fibre) lines from its competitors.

In this environment, throughout 2020 the Group consolidated its business model based on multi-brand positioning. In the operations area, important advances were made, some of the most noteworthy of which include:

Infrastructure and technology:

- In FTTH ("Fiber-to-the-Home"), the Group surpassed 14 million Building units (“BUs”) which, together with the wholesale agreements signed with other operators, gives the Group access to more than 26 million BUs.
- In 2020, the MASMOVIL Group reached a new wholesale bitstream agreement with Orange to share more than 2.2M new build FTTH BUs.
- Also in 2020 there was an agreement with an International Infrastructure Fund (InfraFund) to take a majority stake in a NetCo that will have 1,078k FTTH DUs deployed by the MASMOVIL Group.

- Finally, in 2020 the MASMOVIL Group updated its agreements with Telefónica for mobile and landline networks, which involved a modification of certain aspects of the national mobile roaming agreement and an extension of the wholesale bitstream access agreement on Telefónica's FTTH network.

On the commercial side:

- Yoigo added its new mobile-only tariff to its offering, with unlimited calls and data for Euro 39 per month, with no restrictions or time limits. Yoigo continued to lead commercial innovation in the Spanish telecommunications market by launching "Super Dúo", a ground-breaking new product that allows customers to cover all their own connectivity needs and those in their immediate environment.
- MASMOVIL introduced "MÁS WiFi Premium", a new value-added service for “business" customers - small companies and self-employed - which allows them to share their business WiFi with their customers. MASMOVIL customers were also able to enjoy Agile TV services for the first time.
- The MASMOVIL Group launched an innovative new multi-site offer that allows MASMOVIL Business customers to add fiber lines to any of their sites or even to their homes. 5G technology service trials were also launched in 15 Spanish cities.
- An agreement was reached with El Corte Inglés, a benchmark for retail distribution in Spain, for the development of new commercial initiatives that benefit the customers of both companies.
- Yoigo launched “EnergyGo”, a new 100% green electricity service.

As a result of this effort, the group ranks at the top of the FTTH network quality rankings, with the best upload speed according to the nPerf report.

RESULTS AND PERFORMANCE

The results for the financial period are set out on Consolidated Statement of Comprehensive Income for the year ended 31 December 2020. The Company incurred a net loss of Euro 66,2 millions.

With the acquisition of the MASMOVIL Group in FY 2020, the Group consolidated its position as the fourth largest telecommunications operator in Spain. At the same time, the newly-acquired MASMOVIL Group saw significant increases in turnover, results and customers in 2020.

The Group continues to be interested in corporate operations aligned with its strategy of growth, profitability, search for synergies and management savings. The following acquisitions were completed in 2020:

- Acquisition of MASMOVIL Group
- Acquisition of Ahímas Group
- Acquisition of Lorca Telecom Bidco, S.A.U.
- Acquisition of Lorca Telecom Bondco, S.A.U.

The Group's growth strategy is also reflected in the strategic agreements (signed by Grupo MASMOVIL) with the sector’s main operators, which will enable the Group to obtain significant cost savings, incorporate the Group's wholesale access to FTTH infrastructures of other operators, jointly deploy FTTH networks and reduce the operating risks inherent in the migration of customers to the Group's own network from 2020 onward.

At 31 December 2020, the Group had almost 10 million active mobile lines and 2 million fixed broadband customers.

The Group reported consolidated revenue and adjusted EBITDA of Euro 520 million and Euro 205 million, respectively. Consolidated reported EBITDA stood at Euro 98 million. The ratio of consolidated adjusted EBITDA to revenue is 40% and 20% to consolidated reported EBITDA.

Thousands of EUR	**31/12/2020**
Loss for the year	(66,182)
Corporate tax income	(28,569)
Net interest income	60,245
Depreciation and amortisation expense	131,750
EBITDA	**97,244**
Financial income	(1,955)
Interest on finance leases	9,101
Change in fair value of financial instruments	(669)
Gains (losses) on exchange	(37)
Results of companies carried by the equity method	(5,627)
Reported EBITDA	**98,057**
Integration, migration and other expenses	95,169
Impairment and gain or loss on disposal of fixed assets	12,271
Adjusted EBITDA	**205,497**

On 3 July 2020, the Group entered into a financing agreement with several domestic and international banks for Euro 3,500,000,000, the purpose of which was to acquire a portion of the shares of the MASMOVIL Group and refinance the debt of the acquired MASMOVIL Group:

I. To acquire a portion of the shares of the MASMOVIL Group.
II. Cancellation of the syndicated loan originally entered into by Grupo MASMOVIL in May 2019, for a total amount of Euro 1,457,000,000, including the cancellation (i) of principal (Euro 1,450,000,000) and (ii) interest and early repayment costs (Euro 7 million).
III. Cancellation of credit facilities granted to the MASMOVIL Group in May 2019 for a total amount of Euro 96 million, including the cancellation (i) of principal (Euro 95 million) and (ii) interest and early repayment costs (Euro 1 million).

IV. Cancellation of the bridge loan extended to the MASMOVIL Group in May 2020 for a total amount of Euro 584 million, including the cancellation (i) of principal (Euro 582 million) and (ii) interest and early repayment costs (Euro 2 million).

V. Amortisation of short-term lines of credit granted to the MASMOVIL Group for a total amount of Euro 53 million.

The new financing was arranged as follows:

- A Euro 2,200,000,000 syndicated loan with no maintenance covenants (TLB) and an annual interest rate of Euribor + 4.25% placed with institutional investors. The loan has a bullet repayment after 7 years (July 2027).

- An Euro 800 million senior bridge facility agreement with a maximum limit of Euro 800 million granted by several financial institutions at an annual interest rate of Euribor + 4.75%. This loan was drawn down in the amount of Euro 664 million and subsequently repaid on 3 September 2020 with part of the proceeds from the bond issue mentioned below.

- A secured senior bond issue in the amount of Euro 800 million with a fixed annual coupon of 4.00% and maturing in September 2027. The funds obtained were used to cancel the bridge financing (see section a) (iii) of this note), and also to acquire a portion of the MASMOVIL Group. There were two bond issues, one on 30 September 2020 and the other on 10 November 2020 in the amount of Euro 720 million and Euro 80 million, respectively. Both bond issues are part of the same agreement but part of a single series (together, the “Bonds”). The incorporation documents were registered with the Luxembourg stock exchange and listed on the Euro MTF Market.

- A Euro 500 million credit facility (RCF) with an annual interest rate of Euribor +3.5% granted by several financial institutions. This credit line can be used for the Group's operating needs. As of 31 December 2020, the Group had not drawn on this credit line.

In addition, in order to undertake the acquisition of MASMOVIL Group, on 22 September 2020 the Parent Company's Sole Shareholder carried out a capital increase of Euro 180,682,000, divided into 180,681,835 new shares with a par value of Euro 1 each. This capital increase was accompanied by a share premium of Euro 1,626,137,000.

TECHNICAL INFORMATION

The integration and evolution of the systems of the different Group companies continues under the same development philosophy. This provides us with better coordination and speed of development when launching business initiatives to the market. The department remains focused on reducing the six technology stacks inherited from the company's inorganic growth, with the aim of reducing them to four by 2022. All stacks will share a single provisioning system in order to facilitate network integration and the deployment of new lines of business associated with each brand.

In 2020, all ERPs were consolidated into a single ERP for all brands based on S/4 HANA and a common Data Warehouse (DWH) for the entire Group, both of them on cloud infrastructure, which was very well received by the business areas involved. The infrastructure that hosts more than 100 business applications is evolving into a hybrid architecture with both a private and public cloud, as needed. The goal is to ensure scalability, agility, security and flexibility for the movement of applications between both environments.

The internal systems team continued to grow in 2020 in order to address all of the company's strategic initiatives and ensure that projects such as 5G deployment or integration with energy were ready on time with the necessary quality for the business areas.

FUTURE DEVELOPMENTS

The Group's positioning as Spain's fourth-ranked operator was bolstered in FY 2020 in both operational and commercial terms by integrating the different businesses and leveraging synergies under the umbrella of a single Group with a multi-brand strategy.

The Group's investment effort continues in relation to both network deployment and the acquisition of companies or business units to complement strategies.

The following corporate transactions were also completed in 2020:

In December 2020, the Group completed the purchase of the Ahímas Group, a telecommunications operator specialising in services for medium- and small-sized towns in Andalusia, Extremadura, Castilla La Mancha and the Valencia region.

In the first few months of 2021, the Group has redoubled its commitment to offer customers the best energy services by acquiring a controlling interest in the company Energía Colectiva, which operates under the "Lucera" brand. In addition, Yoigo has launched DoctorGO, a telemedicine service including quality, face-to-face, wait-free care at only six euros a month for the entire family. The Group has also entered into a strategic agreement with El Corte Inglés to launch a virtual mobile and fiber operator.

In addition, it is important to note that the Group has announced a takeover bid through Kaixo Telecom, S.A.U., a company wholly owned by MASMOVIL Ibercom, S.A.U., for all the shares in Euskaltel, S.A.

The Group expects the favourable trend of recent years to continue in 2021, supported by a consolidated organisation, an efficient mix of fixed and mobile network assets, and a multi-brand commercial strategy centred on boosting customer satisfaction.

FINANCIAL INSTRUMENTS

At the yearend, the Group has not contracted any financial product that may be regarded as a risk and Group management is firmly convinced that instruments of this kind will not be contracted in general.

Notwithstanding this, the Group uses derivative financial instruments to hedge the risks to which its business activities, operations and future cash flows are exposed.

At 31 December 2020, in the course of business, the Group has contracted interest rate hedges with lender financial institutions, the nominal value of the debt amounting to Euros 2,200 million.

PRINCIPAL RISKS AND UNCERTAINTIES

As a result of the activities carried out by the Group, there are risks inherent to the sector, macroeconomic environment, regulatory framework and operations that must be identified and controlled through the risk management systems established by the Company.

In this regard, the Risk Management and Control Policy approved by the Board of Directors establishes the principles and guidelines aimed at controlling and mitigating the risks identified at any given time. These actions are materialized through a Comprehensive Risk Management system based on the “COSO” model (“Committee of Sponsoring Organizations of the Tradeway Commission”) that covers financial, regulatory, strategic, operational, corporate governance and reputational risks.

The Group’s risk control and management model is based on the continuous review and updating of the Company’s risk map, which has been designed in line with the Group’s strategies. Once the risks have been identified and classified (according to their impact and probability of occurrence), the action plans necessary to mitigate these risks are formalized, also assessing the residual risk and risk tolerance levels.

Risk management is controlled by the Group's Finance Internal Audit Department in accordance with policies approved by the Board of Directors. Risk management is a major issue within the company and is therefore a function that forms part of the Board of Directors' ongoing analysis and review.

Potential financial risks:

The Group’s activities are exposed to various financial risks: market risk, credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

Risk management is controlled by the Group's Finance Department in accordance with policies approved by the Board of Directors. The Finance Department identifies, evaluates and mitigates financial risks in close collaboration with Internal Audit and the Group's operating units. The Board of Directors provides written guidelines for overall risk management and for specific areas such as foreign exchange risk, interest rate risk, liquidity risk and investment of cash surpluses.

Credit risk

The Group has no significant concentrations of credit risk and maintains policies to ensure that sales are made to customers with an appropriate credit history.

The Group has formal procedures in place to identify the impairment of trade receivables. These procedures draw on current default experience for the last 12 months to estimate rates of default on commercial receivables and recognise the expected credit loss at inception. The main components of impairment are individually significant exposures and a collective loss component for groups of assets in respect of losses incurred but not yet identified.

Value adjustments for customer insolvency, the review of individual balances based on customer credit ratings, current market trends and an analysis of past insolvencies on an aggregate level require a high level of judgement. As regards the measurement adjustment arising from the aggregate analysis of historical default, a decrease in the volume of balances gives rise to a reduction in measurement adjustments and vice versa.

Financial risk

Financial risk arises through the Company's holdings in financial assets and financial liabilities. The key financial risk is that proceeds from financial assets are insufficient to fund obligations arising from distributions to its shareholders as they fall due. The most important components of financial risk are interest rate risk; market risk; and liquidity risk.

Interest rate risk

The Group's interest rate risk arises mainly from loans with institutional investors and some credit institutions. These loans are issued at variable rates and expose the Group to interest rate risk in future cash flows.

A rise in the reference rates, in this case Euribor, could make the cost of financing the Group more expensive and, in this way, withdraw resources from the Group's activity destined for other purposes. The Group's current policy is to maintain a low level of leverage at variable rates.

To mitigate this risk, the Group has contracted hedging instruments.

Market risk

Market risk is the risk that changes in market prices, for example in exchange rates and interest rates, affect the Group's income or the value of the financial instruments it holds. The objective of market risk management is to manage and control exposures to this risk within reasonable parameters while optimising profitability.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled through the delivery of cash or other financial assets. The Group's approach to managing liquidity is to ensure, to the greatest extent possible, that it will always have sufficient liquidity to meet its obligations when due, both under normal and stressed conditions, without incurring unacceptable losses or risking the reputation of the Group.

The Group carries out prudent liquidity risk management, based on maintaining sufficient cash and marketable securities, the availability of financing through a sufficient amount of committed credit facilities and sufficient capacity to settle market positions. Given the dynamic nature of the underlying businesses, the Group's Financial Management aims to maintain flexibility in financing through the availability of contracted lines of credit.

Potential non-financial risks:

According to the latest version of the Corporate Risk Map presented to the Board of Directors, the main non-financial risks to which the Group is exposed, as well as the main mitigation measures, are summarised below:

- Integration of legacy systems and alignment with the Group's strategic objectives: there are several projects aimed at mitigating this risk: new SAP Hana implemented in 2020; MASdata project to standardize the Group’s reporting information and improve transparency with a multi-brand data warehouse (90% implemented); and MASstack project to standardize the Group’s legacy systems on multi-brand platforms (CRM, pricing, billing and commissions).

- Risk of security breaches in systems and networks: existence of a cybersecurity master plan; security controls / logical access to critical systems (IAM - Identity Access Management and PAM - Privileged Access Management projects); existence of a Cybersecurity Operations Center (CSOC) and a Network Operations Center (NOC) that have been effective in preventing possible attacks.
- Reputational damage and sanctions for non-compliance with privacy/data protection rules (at group level): re-internalization of the function of the Data Protection Officer (DPO) in a specialized lawyer dedicated exclusively to this function (with external advice); New privacy policies and procedures approved by the Privacy Committee; External Data Protection audit currently being performed.
- Continuous improvement of the Business Continuity Plan (BCP): Business continuity plan activated and tested during COVID lockdown / lessons learned documented; Business continuity plan developed for eight different scenarios; Gap analysis to connect high-level business continuity planning with plans implemented by the different areas; and Network redundancy plan foreseen for 2021-22.

  Although many of these risks could have a significant impact on the Group's operations, the probability of occurrence is considered to be medium/low, largely thanks to the control mechanisms implemented, as well as the mitigation measures put in place, which has allowed the impact and probability of occurrence to be kept within the tolerance levels approved by the Board of Directors.

Covid-19 pandemic

On 11 March 2020, the World Health Organisation declared the outbreak of the COVID-19 coronavirus to be a pandemic due to its rapid spread throughout the world, affecting over 150 countries. Most governments imposed restrictive measures to contain the spread, including isolation, lockdowns, quarantines and restrictions on the free movement of people, closure of public and private premises, save for basic essentials and healthcare establishments, border closures and a drastic reduction in air, sea, rail and road transport. This situation is having a major impact on the global economy due to the interruption or slowdown of supply chains and the considerable increase in economic uncertainty, as reflected by a hike in volatility of asset prices and exchange rates, and long-term interest rate cuts.

As a result of the above, the UK government has since put in place travel restrictions and quarantine measures effective from 16 March 2020. In Spain, the Government adopted Royal Decree 463/2020, of 14 March 2020, declaring the state of emergency to manage the health crisis caused by COVID-19, which would initially last 15 calendar days. The Government of Spain subsequently extended the state of emergency until 9 May 2021 and implemented restrictive measures including isolation, lockdown, restrictions on movement of people, drastic reductions in air, sea, rail and land transport, among others.

Considering the sector in which the Group operates, the management of the COVID-19 crisis that it has carried out and the financial forecasts that the Group's Management has made, no significant risks have been identified associated with the valuation of assets and liabilities in the Group's consolidated statement of financial position as of 31 December 2020, nor are significant impacts expected in this regard during 2021.

As regards the Group's industry, COVID-19 crisis management and financial forecasting by Group management have not identified significant risks associated with the values of assets and liabilities in the statement of financial position on 31 December 2020 and no significant impacts are expected for 2021.

The Lorca JVCo Limited Group's directors and management are constantly monitoring both financial and non-financial aspects as the situation unfolds. The current scenario caused by the COVID-19 pandemic has not significant impacts for the Group.

DIRECTORS' DUTIES – S172 COMPANIES ACT 2006

Directors' duties to promote the long-term success of the company

The directors of the company act, behave and carry out their activities to promote the long-term success of the company for the benefit of its shareholders, employees, customers and stakeholders. Directors engage with stakeholders to reflect their insights and views when making decisions on strategy, Group objectives, operational effectiveness, plans and initiatives and committing to deliver social value and social outcomes in the communities the Group operates in.

In this sense, and in order to identify the most relevant issues for the Company and its stakeholders, throughout 2020 the Group, together with an external expert, carried out a review and update process of the material aspects consisting of a study of the particularities of the company and its business model, as well as the situation of the telecommunications sector, analysing different sector reports, future trends and reports of other companies with similar characteristics to the Group.

Furthermore, to prioritize the results obtained through the materiality analysis, the Group carried out an internal assessment process through a questionnaire and interviews with key personnel from the different areas involved.

As a result of this exercise of reviewing and updating material issues, a total of 20 relevant aspects have been identified, represented through a materiality matrix, and prioritized according to the importance of each of them for the company and its Stakeholders. This materiality matrix was presented and approved by the Board of Directors. Critical issues are mainly grouped into the areas of privacy and data protection, customer relations and management, cybersecurity, personnel issues, pollution, and climate change.

In this regard, both directly through consultation and indirectly, based on the applicable specialized frameworks and best practices, the expectations of the Group's key stakeholders have been taken into account in reporting the Group's strategy and performance. These expectations and/or relevant aspects for stakeholders and the Company itself are set out in the Group's materiality matrix.

Stakeholder relations

The Group's Corporate Social Responsibility Policy approved by the Board of Directors refers to existing relations with the different stakeholders.

The **relationship with shareholders and investors** is based on the principles of loyalty, transparency and the responsible exercise of the rights and fulfilment of the duties of shareholders and bondholders. This relationship should be based on informed participation of shareholders and bondholders, notably through the Company's General Shareholders' Meeting and Bondholders' Meetings. The Group maintains various channels of communication with shareholders and investors: corporate website, General

Shareholders' Meeting, Bondholders' Meeting and a specific e-mail address, as well as a specific Investor Relations department.

The **relationship with the Group's employees** is framed within the framework of promoting well-being and a good working environment and fostering their performance within the Group, while encouraging training and equal opportunities. Employees have various internal communication channels, such as intranet, e-mail, newsletters, briefings on financial and non-financial targets and results, mobile applications, and an Ethics Committee to safeguard their rights and those of the Company, as well as an Ethics Channel to which they can address queries or report irregularities. This channel is completely confidential and has a management procedure linked to the Ethics Committee.

There is a Human Resources Policy approved by the Board of Directors. The objective of the Human Resources Policy is to implement a human resources management model in the Group that allows it to attract, promote and retain talent and foster the personal and professional growth of all the people who belong to its human resources team, as well as to align the interests of the professionals with the strategic objectives of the Group.

This Policy is complemented by the provisions of the Equal Opportunities Policy, also approved by the Board of Directors, which aims to be the backbone of a favourable environment for employees by promoting effective equality among men and women. This policy develops the basic principles of action among which the quality of employment, equality of opportunity and equity and respect for diversity are of note.

In this regard, in 2020, work began on the design and implementation of a Talent Diversity Plan, which culminated in its approval by the Board of Directors in Q1 2021. With this Plan, the Group aims to go beyond the limits of its organization and become a point of reference in the society, becoming a social agent for the promotion of diversity and integration. The Group is aware that it owes its success to the diversity of people who work in and with it, and to all those customers who have placed their trust in the Group by contracting its services. For this reason, diversity and social innovation have been incorporated as cross-cutting aspects throughout the Group, which is a key element in placing people at the centre and backbone of the organization.

The Group remains committed to proper management of its employees and to ensuring compliance with their fundamental rights, eliminating any kind of discrimination in the workplace through the various internal procedures and the Group's Code of Ethics, and with its suppliers through mandatory compliance with the Suppliers' Code of Ethics. At all times, respect for human rights as recognised in national legislation and compliance with international standards is required.

The Group also rejects child labour and forced labour and is committed to respecting freedom of association and collective bargaining, as well as to implementing due diligence procedures for the identification of risks in this area and to verifying these procedures.

The Group is not aware of any inappropriate behaviour or complaints that violate human rights, nor of any cases or complaints related to any type of discrimination.

Customer relations are governed by the principles that involve compliance with responsible advertising, customer health and safety, and service quality monitoring. The Group continues to make customer satisfaction a priority goal. The stated objective is to make the Group the leader in customer satisfaction in the telecommunications sector in

Europe. The Group has thus raised its ambition compared to previous years and seeks to achieve differentiation through the non-replicable factor of quality of service.

In line with this desire to continue to maintain the highest customer satisfaction in the market, the Board of Directors set a company target for 2020 to improve the customer experience in its mobile and convergent services. During 2020, efforts were focused on reducing the number of issue calls from customers, whether due to Group or non-Group causes. From January to December, the target of reducing this problem-related customer contact rate by 30% was achieved.

The **relationship with suppliers** is fluid, involving them throughout the value chain of the various companies that make up the Group by means of their adherence to the principles set out in the Group's Supplier Code of Ethics. Suppliers have a personalized and confidential ethics mailbox to which they can address any queries or report irregularities.

In October 2020, the Board of Directors approved the modification to the Group's Purchasing Policy, in order to reinforce its commitment to the protection of the environment and public health, the conservation of natural resources, the reduction of the environmental impact of hazardous materials and the reduction of CO2 emissions.

The Procurement Policy aims to establish a global framework for the control and management of risks arising from the procurement of equipment and materials, as well as the contracting of works and services throughout the Group.

As stipulated in the Policy, the Purchasing Department is responsible for maintaining an active relationship with suppliers and ensuring control of the risks associated with them, with the Area requesting a service or product being responsible for monitoring compliance with contractual conditions and service level agreements, where applicable.

In accordance with the aforementioned policy, all suppliers working with the Group must be homologated. This process is managed through an external tool whereby the following documentation is requested: adherence to the Suppliers' Code of Ethics, financial statements for the last two years, certificate of being up to date with Social Security and tax payments, breakdown of staff, environmental certificates, among others.

As part of the homologation process, in addition to the documentation requested, the Purchasing Department carries out a qualitative assessment that in some specific cases includes visits to suppliers' facilities, especially in the case of personnel-intensive suppliers and/or suppliers with a potential environmental impact. In 2020, a total of 563 suppliers have been homologated (compared to 367 in 2019), for meeting all criteria set by the Group and described in its policies and plans, including social and environmental criteria

Corporate Governance Statement

The Group believes that corporate governance is one of the most effective tools to convey confidence to investors, as well as to foster control over the financial and non-financial aspects of the Group, providing an environment of checks and balances necessary to reinforce good business practices and to nurture credibility and stability, and help drive growth and wealth generation.

In this regard, in recent years, the Group, through MASMOVIL IBERCOM, S.A.U. (former head of the Group prior to Lorca's takeover), has promoted the creation of value through an updated corporate governance system supported by the best references in this area following the Spanish Code of Good Governance for Listed Companies (as a former listed company in the Spanish market). Therefore, the corporate policies include the Corporate Social Responsibility Policy and the Corporate Governance Policy, approved by the Board of Directors.

The Rules of Procedure of the Board of Directors of the Company establish as non-delegable powers of this body the setting of the general policies and strategies of the Company. All the policies approved by the Board of Directors are published on the Group's intranet, which is accessible to all employees.

In this respect, as established in the Corporate Social Responsibility Policy, the commitments undertaken by the Group are as follows:

- Regulatory compliance.
- Support for the *United Nations Global Compac*t, which the Group joined in 2020.
- Ethical commitment.
- Promotion of free market practices.
- Development of advanced corporate governance practices.
- Promoting channels of communication and dialogue.

The Group has a set of bodies, control mechanisms and internal rules that make up its Corporate Governance System, the purpose of which is, among others, to direct and regulate the Group's organization in a transparent and efficient manner, promoting its common interest and that of its stakeholders, as reflected in its Corporate Governance Policy. This Policy is complemented by the Code of Ethics and the following internal regulations: Regulations applicable to its governing bodies, various Corporate Policies and Protocols and the Compliance Model, as well as a series of policies and procedures for each area, for a better and more orderly management of the business and the different processes.

The Company's governing bodies and their main responsibilities are described below:

- **The General Shareholders' / Bondholders' Meeting** represents all shareholders / bondholders and is the highest decision-making body of the Company.
- **The Board of Directors** is the body in charge of managing and representing the Company, without prejudice to the powers granted to the General Shareholders' / Bondholders' Meeting and is the highest supervisory and controlling body.

Likewise, at MASMOVIL IBERCOM, S.A.U. level (former head of the Group), the following committees were established (both of them with an independent Chairman):

- The **Audit and Control Committee** is the consultative committee responsible for the Group's internal control, internal audit, and risk management systems, as well as for the relationship with the external auditor. The meetings of the Audit and Compliance Committee are attended, whenever deemed appropriate by its Chairman, by the External Auditor, the Internal Auditor, the Chief Financial Officer, and the Group *Compliance Officer*, as well as by any member of the Group's staff whose activity may be related to the functions performed by the aforementioned Committee.

- The **Appointments and Remuneration Committee** is the consultative committee in charge of appointing or re-electing directors, proposing their remuneration and is involved in the ESG (Environmental, Social and Governance) aspects of the Group. The latter grants this Committee responsibility for issues such as stakeholder relations strategy, review of the corporate social responsibility policy, monitoring of related practices and performance evaluation.

Conduct and Ethics

The Group's corporate values are honesty, integrity, and compliance. It therefore maintains a firm commitment to the fight against corruption and bribery, which resulted in the approval by the Board of Directors in 2020, of a new version of the Group's Code of Ethics, originally approved on 22 May 2017, a fundamental rule of the Company and its subsidiaries, which sets out the values and principles that should guide the behaviour of all those who are part of the Group.

Through the Human Resources Area, campaigns have been carried out for adherence to the Code of Ethics, which has been signed by all Group employees, including new recruits, who receive it as part of the welcome pack, and must return a signed copy, which is kept by the Human Resources Area.

All employees have at their disposal a confidential ethical channel through which all enquiries received have been assessed and answered. Throughout 2020, there have been no allegations or reports of corruption or bribery in the Group.

The policies and procedures implemented by the Group to fight corruption and bribery, in addition to the aforementioned Code of Ethics, are the Suppliers' Code of Ethics, the Crime, Fraud and Corruption Prevention Policy, the Policy on Acceptance and Delivery of Gifts and Invitations, the Money Laundering Prevention Policy, the Protocol for Action with Public Administrations and Political Parties and the Criminal Risk Prevention Manual, all approved by the Board of Directors.

The Suppliers' Code of Ethics includes a specific section on anti-corruption and anti-bribery requirements in which it is stated that the supplier undertakes to endorse several of the premises stipulated in the Group's Crime, Fraud and Corruption Prevention Policy.

The Group also has several internal rules governing various matters, such as the Procedure for conflicts of interest and related-party transactions with directors, significant shareholders and senior management of the Group and the Protocol for handling news and rumours.

The Group has developed a criminal prevention plan where effective controls have been implemented and potential offences have been detailed, and a crime prevention manual has been drawn up. In this regard, the Compliance Officer reports directly to the Board of Directors, on a regular basis, on the degree of compliance with the internal regulatory compliance function. In this sense, and in compliance with the provisions of the Group's governance rules, the Group's Compliance Officer fosters a culture of compliance, transparency, ethics, and internal control in all areas, with the commitment of senior management, and promotes the effective supervision of the Group's non-financial risks, with an emphasis on the prevention of criminal risks.

In this regard, and in accordance with the provisions of the Regulations of the Board of Directors, the Compliance Officer must inform the Audit and Control Committee in the case of any irregularity of potential transcendence, especially financial and accounting irregularities within the Group.

Mission, vision and values

The Group's objective is to create value in the long term and in a sustainable manner, ensuring the care and protection of the environment, social development and business ethics based on the principles of transparency and good corporate governance, the leadership of which is promoted by the Board of Directors of the Company.

In 2020, as a sign of its commitment to the environment, social responsibility, and good corporate governance, the Group reviewed and updated its Mission, Vision and Values, including aspects such as the positive impact on society. The Mission and Vision were defined as follows [sic]:

- ***Mission:*** *Connecting people with the latest technology available and ensuring the best customer experience.*

- ***Vision:*** *To be the telecommunications company with the highest customer satisfaction rate in Europe and a positive impact on people, our shareholders, and the planet.*

The Values were also updated, including Sustainability, which is a statement of intent on the Group's commitment to making a positive impact. The Group's Values are as follows *[sic]*:

- ***Customer first***
    - *We look after them and ensure they are trouble-free.*
    - *We quickly identify any need to provide them with the best solution.*
    - *We innovate to create tangible, quality benefits for them.*

- ***Positive attitude***
    - *We smile and work with enthusiasm and honesty.*
    - *We dare to do things differently.*
    - *We enjoy working, learn from mistakes and celebrate successes together.*

- ***Simplicity***
    - *We are pragmatic and quick.*
    - *We look for simple solutions.*
    - *We avoid unnecessary bureaucracy.*

- ***Sustainability***
    - *We prioritize long-term value over short-term profits.*
    - *We seek a positive impact on our customers, employees, partners, shareholders and society.*
    - *We care for our surroundings and the environment.*

Board composition

The Board is comprised of 12 directors who bring a range of skills and experience. The directors are listed on the first page of the Directors Report. The Board structure comprises a mix of non-executive directors and 2 executive directors (Group's CEO and Managing Director). The directors have a broad range of skills and experience with differential as well as complementary skill sets. The mix of skills is a key feature in determining the Board's effectiveness.

Although the Board is reasonably diverse in terms of knowledge, skills, experience and nationalities, its balance in terms of gender and race can be improved. Currently there are two women represented at the Board. The Board is committed to diversity and is taking steps to improve practices and processes across the Group.

Remuneration

The members of the Board of Directors of Lorca JVco Ltd. do not receive any remuneration or allowances as Directors of the company. Furthermore, no severance payments were made to members of the Board of Directors during the financial year 2020, nor are there any provisions for severance payments outstanding at the date of publication of this report.

Following the principles developed in the Equal Opportunities Policy and the Diversity Plan approved by the Board of Directors, the Group understands that equal pay is a fundamental right of its employees. For this reason, the Group strives to ensure that remuneration is equitable for both genders. In addition, other aspects such as seniority and the assumption of greater responsibilities throughout the career are also rewarded.

Board and Committees of Lorca JVCO during 2020:

Main actions and outcomes of the Board during 2020 are the following:

(a) On 21 September 2020 (“Closing”), Lorca Telecom BidCo, S.A.U. (“Bidco”), a whollyowned indirect subsidiary of the Company, acquired approximately 86.4% of the shares of Másmóvil Ibercom, S.A. (the “Target”);

(b) At Closing, the Company entered into a shareholders’ agreement (the “Shareholders’ Agreement”) with certain of its shareholders and subsidiaries to govern their relationship within the Group; and

(c) At or around Closing, Bidco started a standing order process (the “Standing Order”) to acquire additional shares in the Target (which ended on or around 3 November 2020), as a result of such process Bidco currently holds approximately 99.18% of the shares in the Target.

The implementation of the transaction at the JVco level are as follows:

The attached minutes were to approve various documents and matters in connection with the amendment and restatement of the Shareholders’ Agreement in place, the bonus and grant letters, the capitalization of certain shareholder loans, certain changes to the share capital and Articles of the Company, changes to directors, the addition of new shareholders to the Company and the appointment of the Company’s auditors, each as more particularly described in the minutes (the “Transaction”).

Specifically, all changes made to the record may be viewed here:

https://find-and-update.company-information.service.gov.uk/company/12497729/filing-history

EVOLUTION OF THE WORKFORCE

At year-end 2020, the Group’s workforce consisted of 1,190 employees, of whom 790 are men and 400 are women. Of these 1,190 employees, 129 joined in the last few days of 2020 due to the Group’s acquisition of “Spotting Brands Tecnologies, S.L.” and its group of companies, hence the information on the tables below does not include data on these 129 newly hired employees (47 women and 82 men).

Age	**2020**		
	Women	**Men**	**Total**
Below 30 years	32	71	103
From 30 to 50 years	277	526	803
Over 50 years	44	111	155
Total	**353**	**708**	**1,061**

Professional classification	**2020**		
	Women	**Men**	**Total**
Managers	14	69	83
Technical personnel	58	214	272
Admin. personnel	44	53	97
Other personnel	237	372	609
Total	**353**	**708**	**1,061**

The Group thus became a creator of employment and work in the telecommunications industry in Spain. It should be noted that despite the special complexity of the economic environment triggered by the health crisis in March 2020, the Group has managed to overcome the current crisis with no need to resort to collective employee restructuring proceedings, such as lay-off proceedings, temporary contract suspension or reduction arrangements or collective amendments of working conditions.

Noteworthy this year was the effort made to standardise and integrate the people management policies of the different Group companies, in areas such as recruitment, training and internal development. In order to complete the process, a clear HR methodology was rolled out, aligned with the Group's objectives.

The Group, through its different internal policies and regulations, commits to applying an appropriate talent attraction and selection process, based on the candidate's personal academic and professional merit and the Group's needs.

An equal opportunity policy is always applied, irrespective of race, nationality, gender, age, marital status, sexual orientation, disability and religious or political beliefs.

In addition, within the framework of talent development, numerous initiatives have been deployed within the Group in order to take on the best talent: committed to the company and professional development, engaged, challenged and aligned with the Group's transforming vision.

ENVIRNONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS

Although the Group's activities have a low direct environmental impact, the Group is aware of the importance and relevance of environmental protection and has established various measures over the last few years to improve its environmental performance. In October 2020, the Board of Directors approved a new version of the Sustainability and Environment Policy that establishes the basic principles of action to mitigate its effect on climate change and reduce its environmental impact.

It sets out the environmental issues and best practices to be applied in business decisions and processes, as well as compliance with current legislation, which the Group's employees must consider in their actions.

The basic principles covered by the Policy are:

- The inclusion of environmental considerations and best practices in business decisions and processes as an integrated communications operator, as well as compliance with current environmental legislation, the adoption, where possible, of future implementing regulations.
- The performance, prior to the start of any activity or process, of a study to assess its impact on the environment.
- Examination of any significant environmental effects of the Group's various activities.
- The adoption of the necessary measures to prevent and eliminate any pollution or accidental emissions into the natural environment.
- The adoption of the necessary measures to minimize, recover and recycle waste, as far as possible, ensuring appropriate management where no other alternatives exist.
- The adoption of the necessary measures to save on raw materials, including, where possible, their reuse.
- The adoption of the necessary energy and water saving measures.
- Supporting the procurement of environmentally sustainable and energy efficient products and services.
- Supporting design activities that consider energy performance improvement.
- The establishment of programs where objectives and targets are set to continuously improve environmental performance and the interaction of our products, services, offices, technical centres and communications infrastructures with the environmental aspects affected by the activity, as well as their periodic review.
- The prevention of pollution, the reduction of environmental impacts and the efficient use of resources in the deployment, upgrading and maintenance of the communications network, offices and technical centres, as well as in the provision of services.
- The training and environmental awareness of employees, to ensure that their work is carried out with the utmost respect for the environment, also promoting environmental respect among key suppliers.

Creation of the ESG (Environmental, Social and Governance) Area:

In addition to the revision of the Mission, Vision and Values mentioned above, the Group decided that it was necessary to centralize and coordinate all ESG-related activities within a single line of management in the company.

To this end, as of September 2020, full responsibility for ESG initiatives was given to the Investor Relations team, which, led by a Managing Director of the company and reporting directly to the CEO, was renamed "IR & ESG".

Since then, the "IR & ESG" team has focused on generating value in environmental, community and good governance issues, having created a strategic plan for the company's social impact in which, among other initiatives, the certification of the "ISO14001" environmental management system, the pursuit of "B Corp" certification and other initiatives such as the Diversity Plan and Equality Plan (both within the scope and responsibility of Human Resources), the Social Discount Rate and the reduction of the digital divide in rural Spain, among many others, stand out.

Obtaining “ISO14001” environmental certification:

The “ISO14001” certification certifies and evidences that the company or organization has an environmental management system that complies with all the requirements of the regulation and that it is therefore aware of and complies with all the legal requirements that apply to it, as well as other requirements to which the organization subscribes (e.g., “U.N. Global Compact”).

The process of obtaining this environmental certification was initiated by the Group in the second half of 2020 and culminated with the certificate being granted in December.

This certification consists of a comprehensive audit process which objectives include the following:

- Compliance assessment of the Management System.
- Its ability to ensure compliance with applicable legal, regulatory, and contractual requirements.
- The assessment of the Management System’s effectiveness, to ensure that the organization can achieve the defined objectives.
- The identification of potential areas for improvement of the Management System.

The audit was resolved with zero ‘Non-conformities’ detected and only six ‘Observations’ regarding which the company, as reported in the audit report, has already taken corrective action.

This audit concluded that the Group’s environmental management policy is complete and appropriate to the purpose and context of the organization and provides the framework for the establishment of objectives including the commitment to satisfy legal and regulatory requirements, as well as the commitment to continuous improvement.

The audit also highlighted the following as strengths within the organization:

- The willingness of all the organization’s staff in the conduct of the audit.
- The leadership of the organization as expressed by the Governing Bodies.
- The high qualification of the staff involved in the audit.
- The *compliance* culture in place in the organization.
- The information and technology systems that support records and evidence.
- Assessment of legal requirements carried out by the organization.
- The organization’s commitment to sustainability.

In line with the continuous improvement promoted by the ISO 14001 certificate, the Company acquired and formalized as part of its certification, several commitments among which the following are to be noted: making electric/hybrid cars available to employees within the company fleet, promoting courses on efficient driving and emissions’ control, intensifying communication with employees and managers on the evolution of environmental variables, controlling and reducing electricity consumption both at headquarters and in the network of own antennas, increasing the recycling of alkaline batteries and electronic waste at headquarters and reducing paper consumption.

As part of the certificate, the management takes responsibility for the environmental management system, ensures that the environmental policy and objectives are in line with the strategic management of the organization. To this end, an Environmental Management Committee was set up at General Management level, which meets once every four months to assess and monitor the situation and degree of compliance with environmental requirements and the objectives assumed by the company.

First telecommunications operator in Europe to sign the “B Corp Commitment”:

In November 2020, the Group announced the signing of its commitment to achieve the “B Corp” certificate, an international recognition awarded to those companies that generate a positive impact on society and the planet through their activity. In doing so, the company became the first telecommunications operator in Europe to acquire and sign such a commitment.

“B Corp” certificate reviews, assesses, and certifies a company’s entire social and environmental performance, and how its business model impacts its employees, society and the environment.

The “B Corp” community is made up of more than 3,200 companies in 70 countries and 150 sectors with a single goal: that one day all companies will compete to be the best for the world and, as a result, that society will move towards shared and sustainable well-being.

In order to obtain this certification, the Group reinforced its commitment to achieving the highest standards of social and environmental performance, transparency and accountability.

This process began with the completion of the “B Impact Assessment” (“BIA”) questionnaire, available openly on the “B Lab” online platform, which focuses on the current reality of the company and also helps to identify opportunities for improvement and establish concrete actions to make them happen. The initiation of this process therefore involved a thorough review of all Group procedures and activities both inside and outside the company, with particular attention paid to the impact generated by such activities.

Thanks to this in-depth analysis, improvement actions were detected and classified as follows:

- “Hygienic”: those that must be implemented in the company independently of applying for “B Corp” Certificate.
- “Evolutionary”: those that allow for the development of social initiatives and strategies that were already underway.
- “Expansionary”: involving the creation of new projects or services to support the achievement of the “B Corp” Certificate.

The first measures included: reinforcing the sustainability of the headquarters with the promotion and awareness of recycling, the use of energy from 100% renewable sources, the development of training content on the environment and diversity, the creation of a basic monitoring system for the social activity of suppliers to monitor and promote their positive social impact, among others.

Having successfully passed the first two phases of the certification process (*“scoping”* and *“pre-screening”*) in record time, since March 2021 the company has been immersed in the *“verification”* process, which is expected to culminate in the achievement of B Corp certification before the end of 2021.

ESG (Environmental, Social and Governance) rating and associated funding:

With a rating of 67/100 awarded by “Standard & Poor’s - S&P Global Ratings”, and reflecting its high commitment to the environment, sustainability, and corporate governance, in 2019 the Group became the first in EMEA (“Europe, the Middle-East and Africa”) to obtain syndicated financing with part of the cost linked to the future evolution of the ESG rating.

In July 2020, the rating agency published a rating upgrade, granting the same overall rating as in 2019. The results of the analysis of the three aspects analysed in the rating were as follows: 69/100 on environmental performance (same as 2019), 67/100 on social (64/100 in 2019) and 67/100 on governance (same as 2019).

Since the last rating update, the Group has carried out a series of actions mentioned in this report (adherence to the “United Nations Global Compact”, updating the mission, vision and values, obtaining “ISO14001” certification, signing the “B Corp” commitment, adapting various Corporate Policies and drawing up equality and diversity plans, among others), which shows that the Group is focusing its strategy on the ESG environment, demonstrating its responsibility to work on controlling environmental, social and corporate governance risks.

Environmental management:

Given its commitment and concern for ensuring respect for the environment, and in its desire to achieve a more sustainable working environment, the Group continues to disseminate environmental awareness messages, both externally, through its networks and corporate website, and internally, using its intranet and internal communications.

As mentioned in the previous section, in December 2020 the Group obtained “ISO14001”” certification for environmental management, which highlights the environmental measures that have been implemented in recent years.

Finally, in its Consolidated Financial Statements for 2020, the Group has not recognised any specific environmental provisions in addition to the provision for site decommissioning, which includes the estimated cost of decommissioning, removal, or rehabilitation of telecommunications infrastructure, which are recognised as an increase in the cost of the tangible fixed assets to which they relate. Likewise, as the Environmental Liability Law does not apply to its activity, the Group has not established environmental guarantees derived from this legislation.

Sustainable use of resources:

The Group’s commitment to the environment involves controlling the impacts of its activities. Therefore, the aim is to improve the energy efficiency of its facilities in order to minimize CO_2 emissions.

Consumptions	**2020**	**2019**
Total electricity (MWh)	***18,121***	***19,012***
Diesel fuel Generator(l)	*7,830*	*7,314*
Diesel fuel CPD (l)	*-*	*650*
Total fuel (l)	***7,830***	***7,964***
Water (m3)	***2,276***	***3,895***

All the electricity consumption of the Group in 2020 is sourced from renewable energies with a certificate of origin (of which approximately 88% comes from wind and solar energy and 12% from hydroelectric energy), except for the energy consumed by the investee Embou Nuevas Tecnologías, S.L.U., which represents 0.15% of the total electricity consumption of the Group in 2020.

The Group, in the course of its business, does not generate a significant negative impact in terms of greenhouse gas emissions, and therefore this is not considered a material aspect for the Group.

However, in line with its commitment to control and reduce the impact of its emissions, the Group has calculated its Scope 1 and Scope 2 emissions:

Emissions (*)	**2020**	**2019**
Scope 1 emissions (tCO_2)	*21.20*	*21.40*
Scope 2 Emissions (tCO_2) (**)	*5*	*4,676*

(*) The factors used are those of MITECO (Ministry for Ecological Transition and Demographic Challenge) in its most updated version. The consumption of diesel B is multiplied by its factor and the consumption of electricity which has no guarantee of origin is multiplied by its factor.

(**) In 2020, a guarantee of origin certificate is available for electricity consumption, except for 0.15% of electricity consumption.

Approved by the Board and signed on its behalf by:

Meinrad Spenger
Director
Date: 24 May 2021

DIRECTORS' REPORT

The directors present their annual report on the affairs of Lorca JVCO Limited (the "Company"), together with the audited financial statements, for the period from 4 March 2020 (date of incorporation) to 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is a holding company formed as part of a group operating in the Telecoms industry in Spain.

DIRECTORS

The Directors of the Company who served during the period and up to the date of signing were:

- Stefano Bosio (Appointed on 21 September 2020)
- Ignacio Cobo Bachiller (Appointed on 4 March 2020)
- Josep Maria Echarri Torres (Appointed on 24 September 2020)
- Jose German Lopez (Appointed on 28 December 2020)
- Jorge Quemada Saenz-Badillos (Appointed on 21 September 2020)
- Thomas Railhac (Appointed on 4 March 2020)
- Jean-Pierre Saad (Appointed on 4 March 2020)
- Meinrad Spenger (Appointed on 28 December 2020)
- Robert Sudo (Appointed on 21 September 2020)
- Miguel Juan Segura Martin (Appointed on 4 March 2020 and resigned on 21 September 2020)
- Sinisa Krnic (Appointed on 12 March 2021)
- Begoña Araujo-Perez (Appointed on 12 March 2021)
- Cristina Serena García-Conde (Appointed on 12 March 2021)

POLITICAL DONATIONS AND CHARITABLE CONTRIBUTIONS

The Group made no political and charitable donations during the period.

DIVIDENDS PAID AND DECLARED

During the period under review, no dividend was paid or proposed.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date can be found in note 29.

GOING CONCERN

The directors, after carrying out necessary enquiries, believe that the Group has adequate sources of funding to meet any future investments and to pay its expenses, and is well placed to manage its business risk successfully.

As a consequence of the above, the directors have a reasonable expectation that the Group has adequate resources and procedures in place to manage its business risks and continue in existence for the foreseeable future. Accordingly, the Group has adopted the going concern basis in the preparation of the financial statements.

See Note 2(d) Basis of preparation for further information on how the Directors reached this conclusion.

FINANCIAL INSTRUMENTS

The financial risk management objectives and policies for the Group can be found within the Strategic Report.

THE GROUP'S RESEARCH AND DEVELOPMENT ACTIVITIES

The Group has not implemented a research and development policy. Nevertheless, since the outset, the Group has invested heavily in R&D as a tool to upgrade technology and stand out from the other industry players. The Group's R&D strategy is backed up by programs and tools that allow the activities to be subsidised and funded so as to increase the scope and possibilities of success while benefiting from R&D tax credits.

As regards government grant awards at the national level, in 2020 the Group submitted two successful new applications to drive pilot 5G technology projects executed by Red.es, under the National 5G Plan and the National Intelligent Territories Plan, both promoted by the Ministry of Economy and Business.

These pilot projects have three objectives: 1) support the deployment of the first 5G networks; 2) experiment with the network management techniques enabled by 5G technology; and 3) develop usage cases involving all agents, including users, to attest to the three major improvements brought about by 5G: very-high speed and capacity mobile broadband, ultra-reliable, low-latency communications, and mass machine-to-machine communications.

DIRECTORS' THIRD PARTY AND PENSION SCHEME INDEMNITY PROVISIONS

The Company has granted the directors with qualifying third-party indemnity provisions within the meaning given to the term by section 234 and 235 of the Companies Act 2006. This is in respect of liabilities to which they may become liable in their capacity as director of the company. Such indemnities were in force throughout the financial year and will remain in force at the date of this report

TREASURY POLICIES

The objectives of the Company are to manage the Company's financial risk, secure cost effective funding for the Company's operations, and to minimise the adverse effects of fluctuations in the financial markets on the company's financial assets and liabilities, on reported profitability and on the cash flows of the Company.

The Company finances its activities with a combination of intercompany loan arrangements and shareholders' equity. Other financial assets and liabilities such as trade debtors and trade creditors, arise directly from the Company's operating activities. The Company does not trade in financial instruments and has no other form of derivatives.

DOMICILE AND LEGAL FORM

The company is limited by shares and registered in England and Wales. The Company is UK tax resident.

INDEPENDENT AUDITORS

In accordance with section 485 of the Companies Act 2006, KPMG LLP were appointed as auditor of the Company for the period ended 31 December 2020.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each Director has taken all the steps that he/she ought to have taken as a Directors in order to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board and signed on its behalf by:

Meinrad Spenger
Director
Date: 24 May 2021

STATEMENT OF DIRECTORS' RESPONSABILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT, STATEMENT OF NON-FINANCIAL INFORMATION AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report, Statement of Non-Financial Information and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

DIRECTOR RESPONSIBILITY STATEMENT
FOR THE PERIOD FROM 4 MARCH 2020 (DATE OF INCORPORATION) TO 31 DECEMBER 2020

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LORCA JVCO LIMITED

Opinion

We have audited the financial statements of Lorca JVCo Limited ("the company") for the period 4 March 2020 to 31 December 2020 which comprise the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, and related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the period 4 March 2020 to 31 December 2020;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of component auditors and directors and inspection of policy documentation as to the Company's high- level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationship.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue includes a large number of low-value transactions, none of the revenue streams are complex, there is limited judgement in revenue recognition

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included entries posted with an unexpected corresponding entry to revenue and cash.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non- compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other Information

The directors are responsible for the other information, which comprises the strategic report, directors' report included in the strategic report and consolidated Statement of Non-Financial Information. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon, or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report and consolidated Statement of Non-Financial Information for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 26, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) 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 the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Gemma Hancock
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London
E14 5GL

Date

Consolidated statement of profit or loss and other comprehensive income for the period from 4th March 2020 (incorporation date) to 31st December 2020

Thousand Euro	**NOTE**	**31/12/2020**
Revenue	**22 a)**	520,352
Other operating income	**22 e)**	19,836
Supplies	**22 b)**	(204,159)
Employee benefits expenses	**22 c)**	(21,573)
Depreciation and amortisation expenses	**5, 6 y 7**	(131,750)
Impairment and result from disposals of assets	**6 y 22 f)**	(12,271)
Other operating expenses	**22 d)**	(204,128)
Operating loss		**(33,693)**
Finance income	**18 e)**	1,955
Financial expenses	**18 e)**	(69,346)
Change in fair value of financial instruments		669
Exchange differences		37
Net finance expense		**(66,685)**
Share of net profit of associates and joint ventures accounted for using the equity method		5,627
Loss before income tax		**(94,751)**
Income tax income	**21 a)**	28,569
Loss for the year		**(66,182)**
Loss for the year attributable to:		
Equity Holders of the Parent Company		(65,179)
Non-controlling interests		(1,003)
Loss for the year		**(66,182)**
Other comprehensive income		**(66,182)**
Total comprehensive results for the year attributable to:		
Equity Holders of the Parent Company		(65,179)
Non-controlling interests		(1,003)

Consolidated statement of financial position as of 31st December 2020

Thousand Euro	NOTE	31/12/2020
Assets		
Goodwill	5	2,899,872
Intangible assets	5	2,351,624
Property, plant and equipment	6	754,951
Rights of use	7	191,433
Cost of obtaining contracts with customers	8	30,421
Contract assets	9	31,975
Investments accounted for using the equity method	11	35,344
Other investments	10	12,459
Prepayment for non-current assets	3 (s)	25,144
Total non-current assets		**6,333,223**
Inventories		4,122
Trade and other receivables	12	281,181
Cost of obtaining contracts with customers	8	16,560
Contract assets	9	74,156
Current tax assets		5,740
Other investments	10	16,869
Prepayment for current assets	3 (s)	13,832
Cash and cash equivalents	18 (b)	81,385
Assets classified as held for sale		48,338
Total current assets		**542,183**
Total assets		**6,875,406**
Equity		
Share Capital	13	18,500
Share premium	13	1,831,538
Other reserves		(290)
At 4 March 2020		-
Loss for the year		(65,179)
Retained earnings	13	(65,179)
Equity attributable to Equity Holders of the Parent		**1,784,569**
Non-controlling interests		2,666
Total equity		**1,787,235**
Liabilities		
Loans and borrowings	14	2,098,012
Other payables	14	79,779
Lease liabilities	14	157,281
Other financial liabilities	14	812,376
Provisions	15	46,536
Government grants	16	3,551
Deferred tax liabilities	21	7,880
Other non-current liabilities	20	175,687
Total non-current liabilities		**3,381,102**
Loans and borrowings	14	7,862
Current income tax liabilities		53
Other payables	14	307,846
Lease liabilities	14	33,813
Other financial liabilities	14	295,750
Loans from related parties	23	200,935
Trade and other payables	17	837,488
Provisions	15	23,322
Total current liabilities		**1,707,069**
Total liabilities		**5,088,171**
Total equity and liabilities		**6,875,406**

The Consolidated Financial Statements on pages 34 to 114 were authorised for issue by the Board of Directors on 24 May 2021 and were signed on its behalf.

Meinrad Spenger	**Guillaume Humbert**
Director	**Finance Director**

LORCA JVCO LIMITED registered number 12497729

The explanatory notes form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the period from 4th March 2020 (incorporation date) to 31st December 2020

Thousand Euro	Equity attributable to Equity Holders of the Parent Company					Non-controlling interests	**Total**
	Capital	Share premium	Other reserves	Retained earnings	**Total equity**		
Balance at 4 March 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loss for the year	-	-	-	(65,179)	**(65,179)**	(1,003)	**(66,182)**
Total comprehensive income for the year	**-**	**-**	**-**	(65,179)	**(65,179)**	**(1,003)**	**(66,182)**
Additions resulting from business combination (note 4.1.a))	-	-	-	-	**-**	24,287	**24,287**
Interest variation in subsidiaries (note 1)	-	-	-	-	**-**	(24,287)	**(24,287)**
Capital increase (note 13)	18,500	1,831,538	-	-	**1,850,038**	**-**	**1,850,038**
Non-controlling interest transactions	-	-	-	-	**-**	3,669	**3,669**
Other movements	-	-	(290)	-	**(290)**	-	(290)
Balance at 31 December 2020	**18,500**	**1,831,538**	**(290)**	**(65,179)**	**1,784,569**	**2,666**	**1,787,235**

The explanatory notes form an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the period from 4th March 2020 (incorporation date) to 31st December 2020

Thousand Euro	NOTE	31/12/2020
Cash flow from operating activities		
Loss for the year		**(66,182)**
Adjustments for:		
Depreciation and amortisation	5; 6 y 7	131,750
Impairment losses from trade receivables	10	9,146
Exchange differences		(37)
Change in fair value of financial instruments		(669)
Change in provisions	15	936
Government grants recognised		(626)
Capitalization of the cost of obtaining contracts with customers		1,350
Recognised costs for contractual assets		28,051
Impairment of non-current assets	22 f)	12,271
Financial income		(1,955)
Financial expenses		69,346
Results from investments accounted for using the equity method		(5,627)
Other income and expenses		(5,751)
Income tax income		(28,569)
Changes in working capital		
- Trade and other receivables		(33,957)
- Cost of obtaining contracts with customers		(48,332)
- Contract assets		(36,324)
- Other assets		(6,809)
- Trade and other payables		62,923
- Provisions		(4,568)
Cash flow from operating activities		**76,367**
Interest paid		(24,249)
Income tax received/(paid)		-
Net cash flow from operating activities		**52,118**
Cash flow from investing activities		
Proceeds from investment on financial assets		30,144
Proceeds from sale of property, plant and equipment		6,747
Payments for acquisition of financial assets		(4,232)
Payments for acquisition of property, plant and equipment		(62,792)
Payments for acquisition of intangible assets		(24,472)
Acquisition of subsidiaries, net of cash and cash equivalents		(2,928,828)
Net cash flow used in investing activities		**(2,983,433)**
Cash flow from financing activities		
Proceeds from issue of share capital		1,850,038
Proceeds from bank borrowings		2,729,090
Proceeds from government grants		253
Proceeds from other financial liabilities		1,022,384
Payments for lease liabilities including interest		(10,210)
Payments for bank borrowings		(2,571,843)
Payment for other financial liabilities		(7,012)
Net cash flow from financing activities		**3,012,700**
Net increase in cash and cash equivalents		81,385
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at 31 December		**81,385**

The explanatory notes form an integral part of the consolidated financial statements.

Notes to the consolidated annual accounts for the period between 4th March, incorporation date, and 31st December 2020

1. Nature, activities and formation of the Group

Lorca JVCo Limited (hereinafter, the Company or Lorca JVCo) is a private company limited by shares that was incorporated and domiciled on 4 March 2020 in England and Wales (United Kingdom) under the Companies Act 2006. The address of the registered offices is 1 Bartholomew Lane, London, EC2N 2AX.

The Company is a holding entity and was established to raise funding through issuance of share capital to finance it holding activities. The Company holds 100% of the share capital of Lorca Holdco Limited and, indirectly, holds 100% of the share capital of Lorca Telecom Bidco, S.A. (hereinafter, Lorca Telecom Bidco), MásMóvil Ibercom S.A.U. (hereinafter, MásMóvil or MásMóvil Group), Lorca Telecom Bondco S.A.U. and Lorca Finco Plc.

The main shareholder of the Company is Lorca Aggregator Limited, which is also the ultimately parent of the Group, an entity domiciled in Jersey. The Company is ultimately owned mostly by funds and investment vehicles managed or advised by PEP VII-A International Ltd and PEP VIII International Ltd ("Providence"), Cinven Capital Management (VII) General Partner Limited (“Cinven”), and Kohlberg Kravis Roberts & Co. L.P. (“KKR”).

Lorca JVCo is the parent of a group of subsidiaries (Lorca JVCo Group or the Group). The most significant information on this Group is provided in the accompanying Appendix I, which forms an integral part of this note.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2 f).

On 22 September 2020 a public offering was completed through which Lorca Telecom Bidco acquired a controlling interest in the share capital of MásMóvil.

MásMóvil Group is the fourth largest telecommunications operator in Spain and engages in fixed and mobile telephony, and Internet services for residential, corporate and operator customers through its main brands: Yoigo, MASMOVIL, Pepephone, Llamaya, Lebara, Lycamobile and Hits Mobile.

<u>MásMóvil Group acquisition process</u>

On 1 June 2020, Lorca Telecom Bidco filed an application with the Spanish Stock Exchange Regulator (CNMV, by its acronym in Spanish) for a non-mandatory tender offer (OPA, its acronym in Spanish) for all of the shares of MásMóvil. The prospectus included Lorca Telecom Bidco’s intention to delist MásMóvil shares from the market if the offering attained a minimum acceptance level of 50%.

On 7 July 2020 the Council of Ministers authorised the acquisition of 100% of the shares of MásMóvil at a price of Euros 22.50 each and the maximum amount offered was Euros 2,963,578 thousand. On 29 July 2020 the OPA was authorised by the CNMV.

MásMóvil's Board of Directors published a report on 6 August 2020 expressing a favourable opinion of the offer. The offer was a success as it was accepted on 17 September 2020 by 86.41% of shares and the other conditions were met, mainly regulatory authorisations.

On 23 September 2020 a sustained order was implemented to purchase the 13.59% of the shares not owned by Lorca Telecom Bidco on that date. The order ended on 3 November 2020 after which Lorca Telecom Bidco held 99.18% of MásMóvil's share capital.

On 30 October 2020 the CNMV adopted a resolution to suspend the trading of MásMóvil shares on the stock market and the continuous market, effective 3 November 2020.

Shareholders at a subsequent General Meeting of Lorca Telecom Bidco held on 29 December 2020 adopted a resolution to reduce share capital by Euro 21,607 thousand through the amortisation of 1,080,371 shares with a par value of Euro 0.02 each at an amortised share price of Euro 22.50, the same price agreed in the OPA, and therefore such amortisation includes a share premium per share of Euro 22.48, totalling Euro 24,287 thousand (see note 13 c)). The amortisation affected the shares held by MásMóvil shareholders other than Lorca Telecom Bidco. This means that on 31 December 2020 Lorca Telecom Bidco is the single shareholder of MásMóvil (see note 13 a)).

2. Basis of preparation

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates and Joint Ventures. The parent company financial statements present information about the Company as a separate entity and not about its group. The Group financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 115 to 125.

The directors of the Parent Company consider that the Consolidated Financial Statements for the period from 4th March 2020 to 31st December 2020, authorised for issue on 24 May 2021, will be approved with no changes by the Shareholders at their Annual General Meeting. Therefore, these consolidated financial statements to 31 December 2020 relate to that period and do not show comparative figures.

a) Consolidation perimeter

In 2020, the Group made the following acquisitions that were included in the consolidation perimeter as from the acquisition date:

- MásMóvil Group (for further information refer to note 4.1.a));
- Group Ahímas (for further information refer to note 4.1.b));
- Lorca Telecom Bondco, S.A.U.

On 15 September 2020 the Group, through the Parent Company, acquired all the shares in Lorca Telecom Bondco, S.A.U. (hereinafter Bondco, which was previously named Menara Investments, S.A.U.), for Euro 60 thousand. The acquiree's registered office is located in Alcobendas (Madrid) and its corporate purpose mainly consists of (a) borrowing and / or lending cash amounts and obtaining funds through the issue of any financial instruments, including issues of any kind of debt, for placement on domestic and international markets, (b) financing companies and / or projects or businesses of companies with which it forms a business group, (c) granting guarantees, binding and obligating the Company and pledging or mortgaging its assets to secure the Company's obligations and the obligations of third parties, including the companies with which it forms a business group and (d) carrying out any activity which is financial in nature related to the activities described above for which Lorca Telecom Bondco, S.A.U. is duly authorised and empowered.

During 2020 the Group acquired the remaining non-controlling interest in Spotting Development, S.L. (Spotting Development), thus becoming the single shareholder of that company, whose sole corporate purpose is the holding of equity interests. The company holds 31.6635% of the equity interests of the company Inversiones Locua, S.L. (see note 11).

The Group considers the companies of the Ahímas group in which it owns 50% of the voting rights to be subsidiaries (see note 3 a) (ii)), on the understanding that it has control of them given the cross buy-sell options between these companies and Spotting Brand Technologies, S.L., a subsidiary of Xfera Móviles, S.A.U., through which the third-party shareholders of these companies are required to sell their shares upon submission by Spotting Brand Technologies, S.L. of an offer to buy. The Directors of the parent company consider that these options are a derivative financial instrument that as of December 31, 2020 have no value. The purchase option for Ahímas Comunitelia, S.L was exercised in 2021, prior to the date on which these consolidated annual accounts were authorised for issue (see Note 29).

b) Historical cost convention

These Consolidated Financial Statements have been prepared on a historical cost basis, except for the following:

- Financial instruments (see note 3 (i));
- Certain assets and liabilities related to the business combination (see note 4).

c) First year of business

The Company was incorporated on 4 March 2020, as indicated in note 1, and therefore its financial year runs between the incorporation date and 31 December 2020. Since this is the first year the Company is operating, the Directors have not included any comparative balances in the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the notes to the Consolidated Financial Statements.

d) Going concern

The Directors of the Company have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of the approval of these consolidated financial statements. Accordingly, the Financial Statements have been prepared on a going concern basis. This is based on the predictable nature of the Group's cash flows in the short and medium term given the predominantly subscription-based revenue model and the ability of the Group to secure very long-term contracts for its most significant industrial costs, mainly national roaming and transmission agreements. This is reinforced by the fact that the Group operates in a sector which has proven resilient even in the most recent crisis – access to data and voice is indeed critical for both business and personal activities, in all scenarios. This has been reflected in the Group's performance since the outbreak of the COVID-19 pandemic, which has had no significant impact on the Group achieving its objectives. The Directors have prepared forecasts until the end of May 2022, including a severe but plausible downside scenarios analysis to test the robustness of its cash flow and liquidity in case of adverse events, including extreme ones, with no further funding through notes programme in the Alternative Fixed Income Market (MARF). The results of these tests confirm the resilience of the Group in tested scenarios. Additionally, the Group has shown the ability to adjust promptly a significant part of its operating expenses and capital expenditures in case of unexpected headwind. These forecasts demonstrate that the Group's current financial structure will enable it to meet its financing needs, including meeting applicable covenants, for at least the next 12 months following the date on which these Financial Statements were approved by the Directors.

The Group presents negative working capital totalling Euro 1,164,886 thousand at 31 December 2020, which is a common circumstance in the business in which it engages and in its financial structure, primarily the MásMóvil Group, acquired during 2020 (see notes 1 and 4.1.a.)) and this is not considered by the Directors to be a barrier to the normal performance of the Group's business. The Directors of the Company do not believe that cash requirements in the short and medium term will exceed its current financing capacity, taking into consideration the particularities of working capital within its business.

The Group's primary business is the rendering of telecommunications services which operates with a reduced payment collection period which, associated with a supplier payment period of 54.12 days (see note 17) allows the Group's resources to be optimized since they operate with negative working capital.

The Group has available financing facilities at 31 December 2020, notably RCF tranche (Euro 500,000 thousand) which has a maturity of 2027 (see note 14 (a)). At the date of preparation of these Consolidated Financial Statements, the Group has not drawn down against this facility. This credit facility can be used to meet the Group's operational needs and has a "springing covenant" which is activated at the time the drawndown amount exceeds 40% of the total credit facility.

In addition, the financing structure completed in 2020 (see note 14 (a)) allows the Group to be leveraged to a large extent so as to increase senior and subordinated debt subject to certain ratios (Net debt/EBITDA (as EBITDA is defined in the facility)), calculated depending on the purpose of the additional financing.

The Group has three loans maturing on 17 September 2021 and totalling Euro 200 million with shareholders: Euro 179,16 million with Lorca Aggregator Limited, Euro 10,42 million with Onchena, S.L. and Euro 10,42 million with Key Wolf, S.L. Nevertheless, on 24 May 2021 Lorca Aggregator Limited, Onchena, S.L. and Key Wolf, S.L. have signed formal commitments to not request these amounts until 30 September 2022.

The Group and a leading international infrastructure fund (InfraFund) entered into an agreement to jointly set up a new infrastructure company (InfraCo). The Group have a significant, but minority stake in the InfraCo (49.9% of the InfraCo's capital) which will entail an investment of approximately Euro 60 million in two years. The Group plans to sell a fibre network to InfraCo, which will acquire from the Group 1,078 thousand Building Units (BUs) for an approximate total price of Euro 390 million. On 30 April 2021 the Group has sold to the InfraCo 797 thousand BUs for Euro 282 million. The remainder BUs are expected to be deployed during 2021 and 2022 (Notes 6, 27 and 29) but these cashflows have not been included in the forecasts with a total deployment cost for those BUs not yet deployed of Euro 34 million approximately which have been included in the forecast.

Furthermore, through the subsidiary MásMóvil Ibercom, S.A., the Group has registered a notes programme in the MARF for a maximum of Euro 300,000 thousand (Note 14 (d)). At the date these Consolidated Financial Statements are authorised for issue, a total of Euro 183,000 thousand has been drawn (see note 14 (d)).

Finally, the Group has available short-term lines of credit totalling Euro 54,500 thousand at 31 December 2020 (see note 14 (a)).

e) Functional and presentation currency

All items included in the Group's consolidated annual accounts are measured using the currency of the primary economic environment in which each Group entity operates (functional currency). The consolidated annual accounts are presented in euro which is the functional and presentation currency of Lorca JVCo Limited. Monetary amounts in these financial statements are rounded to the nearest thousand euros.

f) Relevant accounting estimates, assumptions and judgements used when applying account principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting principles to prepare the Consolidated Financial Statements in conformity with IFRS. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of these Consolidated Financial Statements, is as follows.

Significant accounting estimates and assumptions

The measurement of the adjustment for losses on trade receivables is based on assumptions regarding non-compliance risk and expected loss rates. Group Management uses judgements when developing these assumptions and determining the variables to use in the calculation of the expected loss from a customer or trade receivable. These judgements are based on historical non-payment experience over the past 12 months, trade receivable non-payment percentages, existing market conditions as well as prospective estimates made at reporting date (see note 3 (h)).

The Group tests goodwill and other intangible assets with an indefinite useful life, principally its trademarks, for impairment on an annual basis (see note 3 (f)). The calculation of the recoverable amount of a Cash Generating Unit (CGU) to which the goodwill and trademarks have been assigned requires the use of estimates. The recoverable amount is the higher of fair value less costs to sell and value in use. The Group uses the relief from royalties, net of the tax effect method to calculate the value of the trademarks and the discounted cash flow methods to calculate the value in use of goodwill. The calculations of cash flow discounts are based on five-year projections of the consolidated budgets approved by the Group. The cash flows take into consideration earlier experience and represent the Group's best estimate of the future development of the market. Cash flows beyond this five-year period are extrapolated by using terminal growth rates. Key assumptions used to calculate fair value less costs to sell and value in use include rates of growth, weighted average cost of capital and tax rates in force.

The calculation of provisions for unfavourable contracts, guarantees and litigation is subject to a high degree of uncertainty (see note 3 (l)). The Group recognises provisions for unfavourable contracts when the estimated total incurred costs exceed the expected income from the contract. Those estimates are subject to potential changes based on new information.

The Group analyses the useful life of assets with a definite useful life based on common practices in the sector and, if appropriate, internal technical reports (see notes 3 (d) and 3 (e)).

The Group recognises deferred tax assets in accordance with the accounting policy stated in note 3 (n). The estimates regarding the recoverability of deferred tax assets use earnings projections for Group companies, based also on the tax regulations of the tax group. Those projections are taken into account provided they may be reliably estimated, bearing in mind the different circumstances established in current tax legislation.

Significant judgements in the application of accounting policies

- Useful life of property, plant and equipment and intangible assets (see notes 3 (d) and 3 (e));
- Capitalization and recoverability of development expenditure (see note 3 (d));
- Goodwill impairment analysis (see note 3 (f));
- Determination of whether a contract falls within the scope of IFRS 16 (see note 3 (g));
- Provisions subject to judgement and estimates (see note 3 (l));
- Recoverability of capitalised tax credits (see note 3 (n)).

Changes in estimates

Although the estimates are calculated by the Directors based on the best information available at 31 December 2020, future events may require changes to these estimates in subsequent years. Any effect on the consolidated financial statements of adjustments to be made in subsequent years would be recognised prospectively.

Determination of fair values

Certain of the Group's accounting and disclosure policies require to determine the fair value of financial and non-financial assets and liabilities.

The Group has established a control framework for determining fair values. As part of the control framework, the Group has designated personnel with general responsibility for overseeing all relevant fair value calculations, who report directly to Group's Management.

These employees regularly revise significant, unobservable inputs and valuation adjustments. If third party information such as pricing services or broker quotes are used when determining fair values, the valuation team checks whether this information complies with IFRS-EU and the fair value hierarchy level in which these valuations should be classified.

Where possible, the Group uses observable market data to measure the fair value of an asset or liability. The fair values are classified in different levels of the fair value hierarchy based on the inputs used in the valuation techniques, as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of the financial instruments in the different levels of fair value hierarchy is included in note 18 (e).

Where the inputs used to measure the fair value of an asset or liability can be categorised within different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between different levels of the fair value hierarchy at the end of the period in which the transfer occurs.

The following notes contain more information on the assumptions used to determine fair values:

- Note 4: Business combinations.
- Note 18 (e): Financial instruments and fair value.

g) Mandatory standards, amendments and interpretations for all years starting on 1 January 2020

The following standards, interpretations, amendments and improvement packages entered into force on or after 1 January 2020, but did not have a significant impact on the Group's consolidated annual accounts:

- IAS 1 (Revised) and IAS 8 (Revised) "Definition of Material" These amendments clarify the definition of material and introduces the concept of "obscuring information" in addition to omitting or misstating information that may influence users' decisions.

  These amendments make IFRSs more consistent but are not expected to have a significant impact on the preparation of financial statements.

- IFRS 3 (Revised) "*Definition of a business*" These amendments will assist with determining whether a transaction is an acquisition of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the preceding definition focused on providing profitability in the form of dividends, lower costs or other financial benefits to investors and other parties. Additional guidance has been provided in addition to amending the wording of the definition. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organized workforce.

  These amendments will apply to business combinations with an acquisition date on or after the beginning annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

- IFRS 9 (Revised), IFRS 7 (Revised) and IAS 39 (Revised) "*Interest Rate Benchmark Reform*": these amendments establish certain reliefs relating to the interest rate benchmark reform (IBOR). The reliefs are related to hedge accounting and have the effect that the IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness must continue to be recorded in the statement of comprehensive income under both IAS 39 and IFRS 9.

- Amendments to the references to the conceptual framework for IFRS: The IASB has issued a revised conceptual framework that will be used in setting future standards. Even if no changes are made to accounting standards currently in force, entities that use the conceptual framework as a basis for determining their accounting policies for transactions, events or conditions that do not fall within the issued accounting standards are required to apply the revised conceptual framework starting on 1 January 2020.

- IFRS 16 (Revised) "*COVID-19-related rent concessions*": The IASB has published an amendment to IFRS 16 "Leases" that provides a practical expedient to a lessee when assessing whether a COVID-19 related rent concession is a lease modification. A lessee may elect not to assess whether a rent concession related to COVID-19 is a lease modification and therefore account for any change in lease payments resulting from the rent concession the say way it would account for it if it were not a lease modification. In many cases this will give rise to the recognition of the concession as a variable lease payment in the period(s) in which the event or condition leading to the rent concession arises. The amendment does not provide the same facility to lessors, who must apply the current requirements established by IFRS 16 and determine whether or not there has been a change in the relevant lease agreement.

  The amendments are mandatory for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in interim or year-end financial statements not yet authorised for issue at 28 May 2020, to permit application of the relief as soon as possible, subject to any endorsement process.

  The application of the aforementioned accounting standards and the amendments to accounting standards and interpretations has not given rise to any significant effects on the Group's consolidated financial statements.

h) Standards, amendments and interpretations that have not yet entered into force but which may be adopted early:

- IFRS 9 (Revised), IAS 39 (Revised), IFRS 7 (Revised), IFRS 4 (Revised) and IFRS 16 (Revised) "Interest Rate Benchmark Reform: Phase 2": The IASB has undertaken a two-phase project to consider what, if any, reliefs to give from the effects of IBOR reform. he Phase 1 amendments, issued in September 2019, provided temporary reliefs from applying specific hedge accounting requirements to relationships affected by uncertainties arising as a result of IBOR reform ('the Phase 1 reliefs'). The Phase 2 amendments that were issued on 27 August 2020 address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

  The amendments should be applied for annual periods beginning on or after 1 January 2021. The Group has decided to not early apply these amendments.

i) Standards, amendments and interpretations to existing standards that cannot be adopted early or that have not been adopted by the European Union:

At the date these Consolidated Financial Statements were prepared, the IASB and IFRS Interpretations Committee had published the standards, amendments and interpretations indicated below, which to date have not been adopted by the European Union.

- IFRS 10 (Revised) and IAS 28 (Revised) "*Sale or contributions of assets between an investor and its associates or joint ventures"*: These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet the business definition, the investor recognises the gain or loss based on the interests held by other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture.

Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for years commencing on or after 1 January 2016. However, at the end of 2015, the IASB made the decision to defer the application date (without setting a new specific date), since it is planning a broader review that may result in the simplification of the accounting for these transactions and other aspects of the accounting for associates and joint ventures.

- IFRS 17 (Revised) "Amendments to IFRS 17": The IASB has developed specific amendments and clarifications intended to facilitate the implementation of the new standard in response to some of the concerns and challenges arising with respect to the application of IFRS 17, although the amendments do not change the essential principles of the standard. In addition, the mandatory effective date of IFRS 17 has been delayed to years starting on or after 1 January 2023.

- IAS 1 (Revised) "*Classification of liabilities as current or non-current*": These amendments clarify that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the reporting period (for example receiving a waiver or failure to comply with the agreement). The amendment also clarifies the intention of IAS 1 when referring to the "settlement" of a liability.

  These amendments should be applied for annual periods beginning on or after 1 January 2023, retrospectively in accordance to IAS 8. Earlier application is permitted. although early adoption is allowed.

- IAS 16 (Revised) "*Property, plant and equipment – Proceeds before intended use*": Prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the cost of producing them, are now recognised in profit or loss. The amendment also clarifies that an entity is testing whether the asset operates correctly when assessing the asset's technical and physical performance. The financial performance of the asset is not relevant to this assessment. An asset may therefore be capable of operating as intended by management and the subject to depreciation before it has achieved the level of operating performance expected by management. The effective date of these amendments is 1 January 2022.

- IAS 37 (Revised) *"Onerous Contracts-Cost of Fulfilling a Contract"*: The amendment explains that the direct cost of fulfilling a contract includes the incremental cost of fulfilling that contract and an allocation of other costs that are directly related to the fulfilment of contracts. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The effective date of these amendments is 1 January 2022.

- IFRS 3 (Revised) "*Reference to the Conceptual Framework":* IFRS 3 has been updated to refer to the 2018 Conceptual Framework in order to determine what constitutes an asset or a liability in a business combination (previously it referred to the 2001 Conceptual Framework). A new exception to IFRS 3 for liabilities and contingent liabilities has also been added. The effective date of these amendments is 1 January 2022.

- Annual Improvements to IFRS 2018 – 2020 Cycle: The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to years beginning on or after 1 January 2022. The main amendments refer to:

- IFRS 1, "First-time adoption of IFRS": IFRS 1 allows an exception if a subsidiary adopts IFRS after its parent company. This amendment allows entities that have applied this exception to also measure accumulated conversion differences by using the amounts recognised by the parent, based on the date on which the latter transitioned to IFRS.
- IFRS 9 "Financial instruments": The amendment covers which fees must be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either the third parties or to the lender. According to the amendment, costs or fees paid to third parties will not be included in the 10% test.
- IFRS 16: "Leases" Illustrative Example 13 that accompanies IFRS 16 has been changed to eliminate the illustration of payments made by a lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
- IAS 41, "Agriculture" This amendment eliminates the requirement of excluding cash flows for taxes when measuring fair value in accordance with IAS 41.

- IAS 1 (Revised) "*Disclosure of accounting policies*": IAS 1 has been amended to improve the disclosures regarding accounting policies so that they provide more useful information to investors and other primary users of the financial statements. The effective date of these amendments is 1 January 2023.

- IAS 8 (Revised) "*Definition of accounting estimates*" IAS 8 has been amended to assist with distinguishing between changes in accounting estimates and changes in accounting policy. The effective date of these amendments is 1 January 2023.

  Other standards, amendments and interpretations that the IASB and the IFRS Interpretations Committee had published at the date these consolidated annual accounts were prepared but are not applicable to the Group are as follows:

- IFRS 17 "*Insurance Contracts*"

3. Significant accounting policies applied

a) Basis of consolidation

i) Business combinations

<u>*Acquisitions from third parties*</u>

The Group applies the acquisition method for business combinations. The acquisition date is the date on which the Group obtains control of the acquiree.

The consideration transferred is the fair value of the assets acquired and the equity instruments issued, and of the liabilities incurred or assumed at the acquisition date, plus any asset or liability resulting from a contingent consideration arrangement.

The consideration transferred excludes any payment that does not form part of the exchange for the acquired business. Acquisition-related costs are recognised as an expense as they are incurred.

At the acquisition date the Group recognises the assets acquired, the liabilities assumed and any non-controlling interest at fair value. Non-controlling interests in the acquiree are recognised according to the proportionate share of the non-controlling interest in the acquiree's net identifiable assets.

The liabilities assumed include contingent liabilities to the extent that they represent present obligations arising from past events and the fair value can be reliably measured. With the exception of lease and insurance contracts, the assets acquired, and liabilities assumed are classified and designated for subsequent measurement based on contractual agreements, economic terms, accounting and operating policies and any other conditions existing at the acquisition date.

The excess between the fair value of the consideration transferred, plus the amount of any non-controlling interest recognised, and the fair value of net assets acquired is recognised as goodwill. A gain on a bargain purchase occurs where the consideration transferred, non-controlling interest recognised is less than the value of the identifiable net assets. A gain on a bargain purchase is recognised in the consolidated statement of comprehensive income.

If it is only possible to determine the business combination provisionally at the reporting date, the identifiable net assets are initially recognised at their provisional amounts and adjustments made during the measurement period are recognised as if they had been known at that date. Comparative figures for the previous year are restated where applicable. In any event, adjustments to provisional amounts only reflect information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date.

The potential benefit of the acquiree's tax -loss carryforwards and other deferred tax assets, which are not recognised as they did not qualify for recognition at the acquisition date, is accounted for as income tax income provided that it does not arise from an adjustment of the measurement period.

The contingent consideration is classified in accordance with the underlying contractual terms as a financial asset or financial liability, equity instrument or provision. Subsequent changes in the fair value of a financial asset or financial liability are recognised in consolidated profit or loss or other comprehensive income, provided that they do not arise from a measurement period adjustment. Contingent consideration classified as equity is not remeasured, and subsequent settlement is accounted for in equity. Contingent consideration classified as a provision is subsequently recognised in accordance with the relevant measurement standard.

The derivative instruments are initially recognised at fair value and subsequent gains and losses are measured and recognised at fair value through profit or loss in the consolidated statement of comprehensive income.

Non-controlling interests

Non-controlling interests in subsidiaries are recognised at the acquisition date at the proportional part of the fair value of the identifiable net assets.

The consolidated profit or loss for the year and changes in equity of the subsidiaries attributable to the Group and non-controlling interests after consolidation adjustments and eliminations, are determined in accordance with the ownership interest at reporting date, without considering the possible exercise or conversion of potential voting rights and after discounting the effect of dividends, agreed or not, on cumulative preference shares classified in equity accounts. However, Group and non-controlling interests are calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of subsidiaries.

Profit and loss and each component of other consolidated comprehensive income are allocated to equity attributable to shareholders of the Parent Company and to non-controlling interests in proportion to their investment, even if this results in the non-controlling interests having a debtor balance. Agreements entered between the Group and non-controlling interests are recognised as a separate transaction.

ii) Subsidiaries

Subsidiaries are entities over which the Company, either directly or indirectly through subsidiaries, exercises control. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from the investment and has the ability to use this control to influence the amount of these returns. The Company has control over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

Information on the subsidiaries controlled by the Group is presented in Appendix I.

The income, expenses and cash flows of subsidiaries are included in the consolidated financial statements from the date on which the Group takes control until the date that control ceases.

Transactions and balances with Group companies and unrealised gains or losses have been eliminated on consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

Subsidiaries' accounting policies are changed where necessary for consistency with the principles adopted by the Group.

The financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent Company.

iii) Associated entities

Associates are all entities over which the Group has significant influence. Significant influence is the power to intervene in the decisions regarding financial and operating policies at a company, without having control or joint control over that entity. This is generally the case where the Group holds between 20% and 50% of the voting rights. When evaluating the existence of significant influence, the potential voting rights that may be exercised or converted at the end of each year must be considered, including the potential voting rights held by the Group or another company. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Information related to Group´ subsidiaries is presented in appendix I.

Under the equity method of accounting, the investments are initially recognised at cost, which includes transaction costs, and adjusted thereafter to recognise the Group's share of the post-acquisition consolidated profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 3 (h).

b) Transactions and balances in foreign currency

Transactions in foreign currency are translated to the functional currency through the application of the spot rates between the functional and foreign currency on the dates on which the transactions are completed.

Monetary assets and liabilities denominated in foreign currencies are converted to Euro by applying the year-end exchange rate while non-monetary assets and liabilities carried at historical cost are translated by applying the exchange rates used on the date the transaction took place. Lastly, non-monetary assets carried at fair value have been translated to Euro by applying the exchange rate on the date on which they were measured.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into Euro at the exchange rates prevailing at the dates the cash flows occur. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognised separately in the consolidated statement of cash flows as effect of exchange rate fluctuations on cash and cash equivalents held.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euro of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income. However, exchange gains or losses arising on monetary items forming part of the net investment in foreign operations are recognised as translation differences in other comprehensive income.

Exchange gains or losses on monetary financial assets or financial liabilities denominated in foreign currencies are also recognised in the consolidated profit or loss.

c) Cash and cash equivalents

Cash and cash equivalents include cash and demand deposits at banks. This caption also includes other highly liquid short-term investments provided they are easily convertible into specific cash amounts and the risk of value changes is insignificant. For such purposes, investments maturing in less than three months as from the acquisition date are included.

In those cases where the Group formalises contracts under which cash account balances become unavailable in order to secure the execution of those contracts, these balances remain presented under Cash and other cash equivalents insofar as the directors consider that the Group will not meet any of the conditions requiring the contracts' early termination and therefore the enforcement of the guarantee. This criterion is similarly followed in presenting cash and equivalents at the start and end of the year in the consolidated cash flow statement. Note 18 (b) includes information on the Group's available cash at year end and, if applicable, unavailable current cash account balances related to the guarantees granted.

The Group classifies cash flows from interest received and paid as operating activities.

d) Intangible assets

i) *Goodwill*

Goodwill is determined using the same criteria as for business combinations (see note 4).

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the Group's Cash Generating Units (CGU), or, as the case may be, to the CGUs integrated in the Group which are expected to benefit from the synergies of the business combination and the criteria described in section (f) (impairment of this note) are applied. Following initial recognition, goodwill is stated at cost less accumulated impairment losses.

In assessing impairment of goodwill, the analysis is done at entity level except for those entities which are included in the Group CGU.

ii) *Software*

Computer software acquired and produced by the Group, including website costs, is recognised when it meets the conditions for consideration as development costs. Expenditure on developing a website to promote and advertise the Group's own products or services and maintenance expenses connected with IT applications are charged to expense when incurred.

iii) *Patents, trademarks and licences*

Patents, trademarks and licences are initially recognised at their cost of acquisition or fair value if they have been as a result of a business combination.

Acquired licences primarily relate to the rendering of mobile telephony services and are presented at cost or assigned cost.

iv) *Research and Development*

Expenditure on research is recognised as an expense when incurred.

Costs associated with development activities are capitalised to the extent that:

- The Group has technical studies that demonstrate the feasibility of the production process;
- The Group has undertaken a commitment to complete production of the asset, to make it available for sale (or internal use);
- The asset will generate enough economic benefits;
- The Group has sufficient technical and financial (or other) resources to complete development of the asset (or to use the asset internally) and has devised budget control and cost accounting systems that enable monitoring of budgetary costs, modifications and the expenditure actually attributable to the different projects.

The cost of the Group's internally generated assets comprises the costs directly related to the development of these assets. The cost of production is capitalised by crediting the costs attributable to the asset to the work carried out by the Group on its assets under other operating income in the consolidated statement of comprehensive income.

Expenditure on activities for which costs attributable to the research phase are not clearly distinguishable from costs associated with the development stage of intangible assets is expensed in the period incurred.

Development work undertaken by and purchased from third parties is capitalised due to the existence of evidence of the technical success and financial and commercial feasibility of the work as the purchase price paid reflects the expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Development costs previously recognised as an expense are not capitalised in subsequent years.

v) *Other intangible assets*

Other intangibles assets mainly include the customer portfolios acquired through the various business combinations carried out by the Group since 2020. Those assets are initially measured at fair value and are amortised on a straight-line basis in accordance with their estimated useful lives. The useful life of these assets is calculated based on the type of customer, historic abandonment rates and averages in the industry.

vi) *Rights of use*

This relates to the rights to indirectly access the network of other operators, which are measured at the amount actually paid, or at fair value in the event that they originate from a business combination. These rights of use are originated as a result of the agreements that the Group signs with other operators for access to their network as well as mutualisation agreements, which give the Group the right to long-term access to the infrastructure of those operators and, therefore, indirect access to a large additional number of building units. The rights of use are amortised based on the life of the signed contract.

vii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure to internally generate capital gains and trademarks is recognised in the consolidated statement of comprehensive income when it is incurred.

viii) *Useful life and amortisation*

The Group assesses whether the useful life of each intangible asset is finite or indefinite. For such purposes, an intangible asset is understood to have an indefinite useful life when there is no foreseeable limit to the period during which it will generate net cash inflows.

Intangible assets with indefinite useful lives are not amortised but are instead tested for impairment on an annual basis or whenever there is an indication that they may be impaired.

The Group considers the “Yoigo”, “Pepephone” and “MásMóvil” brands, acquired during the period finalised in 31 December 2020, to be the only assets, along with goodwill, with indefinite useful lives, as there is no foreseeable limit to the period over which they will generate net cash inflows.

Intangible assets with finite useful lives are amortised by allocating the depreciable amount of an asset on a systematic basis over its useful life, by applying the following criteria:

	Amortisation method	Estimated years of useful life
Development	Straight-line	4 - 5
Software	Straight-line	3 - 5
Patents, licenses, trademarks and similar items	Straight-line	3 - 15
Other intangible assets	Straight-line	3 - 9
Right of use	Straight-line	20 - 35

For such purposes, the acquisition cost or attributed cost less residual value is considered the amortisable amount.

The cost of licences is amortised on a straight-line basis from the moment they start generating profit to the Group according to the purpose they were acquired for, considering the remaining concession period.

The rights of use are amortised based on the term of the contracts covering access to the network maintained by other operators and any renewals that the Directors believe will arise.

The Group reviews the residual value, useful life and amortisation method of intangible assets at each year end. Modifications to the initially established criteria are recognised as a change in an accounting estimate.

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (f) “Impairment of assets”.

e) Property, plant and equipment

i) *Initial recognition*

Property, plant and equipment are initially presented at the fair values obtained in the business combination (note 4). Additions to property, plant and equipment since the business combination are recognised at cost or attributed cost, less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes the purchase price and any costs directly related to installation through to commissioning, less trade discounts or rebates. The cost of an item of property, plant and equipment also includes the estimated costs of dismantling or removal and restoration of the site on which it is located, provided that the obligation is incurred as a consequence of having used the item. This estimation is capitalised as an increase in the cost of the related asset, giving rise to the recognition of a provision (see note 15), which is increased accordingly in subsequent reporting periods.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the consideration obtained and the carrying amount of the item concerned) is recognised in the consolidated statement of comprehensive income.

ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it is probable that any related future economic benefits will flow to the Group. Costs incurred for repairs and ongoing maintenance are taken to consolidated comprehensive income when incurred.

iii) *Agreements to share infrastructure*

In seeking to obtain the maximum efficiency of its investments, the Group signs agreements to share infrastructure with other operators. These sublease agreements establish that the infrastructure work needed to install the sublessee's equipment must be paid by the sublessee, even when the lessor retains the ownership of the infrastructure. Investments made in locations leased by the Group are recognised as property, plant and equipment with a balancing entry in accruals, whereas those made at locations subleased by the Group are settled at the date of installation and recognised as prepayments for assets. The accruals and prepayments are taken to the consolidated statement of comprehensive income as lease income or expenses, respectively, over the lease term.

iv) *Depreciation*

Depreciation of property, plant and equipment is charged, from the date on which they are installed and ready for use, by distributing the depreciable amount on a systematic basis over the assets' useful lives. For such purposes, the acquisition cost less residual value is considered the depreciable amount. The Group determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remaining components of the asset.

Leased assets are depreciated over the shorter of the lease term and useful life, unless the Group is reasonably certain that it will obtain ownership of the asset at the end of the lease period, in which case they are amortised systematically over their useful lives.

The depreciation of property, plant and equipment is calculated as follows:

	Depreciation method	Estimated years of useful life
Buildings	Straight-line	30
Mobile network infrastructure	Straight-line	30
Mobile network equipment	Straight-line	7 - 10
Mobile network Core	Straight-line	5
Fibre-optic network (Internal plant)	Straight-line	15
Fibre-optic network (External plant)	Straight-line	35
Fixtures, fittings, tooling and furnishings	Straight-line	3 - 10
Routers, paid installation	Straight-line	2 – 4
Other fixed assets	Straight-line	4 - 15

The Group reviews the residual value, useful life and depreciation method of property, plant and equipment at year end. Modifications to the initially established criteria are recognised as a change in an accounting estimate.

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g) below.

f) Impairment of non-financial assets subject to amortisation or depreciation

It is the Group's policy to assess the existence of any indication that may point to the potential impairment of non-financial assets subject to amortisation or depreciation, in order to verify whether the carrying value of such assets exceeds their recoverable value.

The Group tests intangible assets with indefinite useful lives, goodwill and intangible assets that are not yet ready to enter service for potential impairment at least annually.

The recoverable value of assets is the higher of fair value less cost of sales and value in use. An asset's value in use is measured based on the future cash flows the Group expects to derive from use of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the Group expects to derive from the asset.

Negative differences arising from comparison of the carrying amounts of the assets with their recoverable amounts, are charged to the consolidated statement of comprehensive income.

The recoverable amount of each individual asset is calculated unless the asset does not generate cash flows which are largely independent of the cash flows corresponding to other assets or asset groups. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

However, the Group determines the impairment of the individual asset included in a CGU if:

a) It no longer contributes to the cash flows of the CGU to which it belongs, and its recoverable amount is similar to its fair value less costs to sell, or, where applicable, the asset must be derecognised.

b) The carrying amount of the CGU has increased by the value of the assets that generate independent cash flows, provided that there are indications that the assets may be impaired.

In the current year, the Group uses detailed calculations from a prior year of the recoverable amount of a CGU in which an intangible asset with an indefinite life or goodwill has been incorporated, providing the following are met:

a) The assets making up that CGU have not changed significantly since the most recent recoverable amount calculation;

b) The most recent recoverable amount calculation resulted in an amount that exceeded the unit's carrying amount by a substantial margin; and

c) Based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the asset's carrying amount is remote.

The Group distributes goodwill and common assets among each of the CGUs to test for impairment. If part of the goodwill or common assets cannot be allocated to the CGUs, it is distributed in proportion to the carrying amount of each of the CGUs.

Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis based on the carrying value of each asset limited to the higher between their fair value less cost to sell, value in use and zero.

At the end of each reporting period, the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there is a change in the estimates used to determine the asset's recoverable value.

A reversal of an impairment loss for a CGU is allocated to the non-current assets of each unit, except goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortisation or depreciation, if no impairment loss would have been recognised.

A reversal of an impairment loss is recognised in the consolidated statement of comprehensive income. However, the carrying amount of an asset cannot be increased above the carrying amount that would have been recognised, net of amortisation or depreciation, if no impairment loss would have been recognised.

Following the recognition of the impairment or its reversal, depreciation/ amortisation for the following years are adjusted taking into account the new carrying amount.

However, if the specific circumstances of the assets indicate an irreversible loss, this is recognised directly in losses on the disposal of fixed assets in the consolidated statement of comprehensive income.

g) Leases

The Group assesses at inception whether a contract contains a lease. That analysis requires the use of judgement in order to determine whether there is an identified asset and whether the Group has the right to substantially obtain all the economic rewards deriving from the use of the identified asset and has the right to direct the use of that asset.

For each lease contract, the Group initially recognises the corresponding right-of-use asset and a lease liability.

In order to measure the lease liabilities, the amounts pending payment (less, if appropriate, any incentives receivable) at inception of the lease contract that the Group should pay over the lease term, discounted using the discount rate, are taken into account. The Group uses as the discount rate the incremental interest rates suited to each type of contract asset and term.

In order to measure the right of use asset, the amount of the lease liabilities is taken as a starting point, increased by payments and incentives prior to inception and restoration costs and indirect initial costs.

The Group recognises the depreciation of the asset recognised along with the annual financial charge associated with the lease liability in the consolidated statement of comprehensive income. The Group recognises in both the consolidated statement of financial position and consolidated statement of comprehensive income the tax effect associated with the difference between IFRS 16 and those criteria applicable for tax purposes.

When the Group has been subrogated to the position of lessee under a lease contract as a result of a business combination, the related liability will be measured at the present value of the outstanding payments on the lease at the combination date as if the contract taken on were a new lease at that date. The right of use asset is recognised for the same amount as the lease liability, adjusted to reflect the favourable or unfavourable conditions of the lease regarding market conditions.

The rights of use assets are tested for impairment like other assets with a finite useful life.

In terms of the consolidated statement of cash flows, cash payments on the principal and the interest of the lease liability are classified in financing activities.

The exemptions provided under IFRS 16 for short-term and low-value leases have been applied to non-strategic assets (low value IT assets, furniture, housing etc.).

Leases when the Group is the lessor relate to telecommunications infrastructure shared in accordance with agreements entered into with other operators. Assets leased to third parties under lease contracts are classified according to their nature, increased, where applicable, by the amount of the directly attributable contract costs.

Lease revenue is recognised under income on a straight-line basis over the term of the lease. Initial direct costs incurred to obtain an operating lease are added to the carrying value of the underlying asset and are recognised as an expense over the lease term on the same basis as lease income. The related leased assets are included in the consolidated statement of financial position in accordance with their nature. The Group did not have to make any adjustment to the recognition of assets held as the lessor due to adopting the new standard on leases.

h) Financial instruments

i) Classification of financial instruments

For measurement purposes, the Group classifies financial instruments into the categories of financial assets and liabilities at fair value through profit or loss, distinguishing those initially designated from those held for trading or mandatorily carried at fair value through profit or loss, financial assets and liabilities at amortised cost and financial assets measured at fair value through other comprehensive income, separating the equity instruments designated as such from other financial assets. The classification depends on the business model used by the Group to manage financial assets and the contractual terms of the cash flows.

The Group classifies a financial asset at amortised cost, if it fits within the framework of a business model the aim of which is to maintain financial assets to obtain contractual cash flows and the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payments of principal and interest on the amount of the unpaid principal (SPPI).

The Group classifies a financial asset at fair value through other consolidated comprehensive income if it fits within the framework of a business model the aim of which is achieved by obtaining contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise, on specific dates, to cash flows that are SPPI.

The business model is determined by the Group's key personnel and at a level that reflects the way in which they jointly manage groups of financial assets to deliver on a specific business objective. The Group’s business model represents the way in which it manages its financial assets in order to generate cash flows.

The financial assets which are classified within a business model the aim of which is to hold assets to receive contractual cash flows are managed with a view to generating cash flows in the form of contractual receipts over the life of the instrument. The Group manages the assets held in its portfolio in order to receive contractual cash flows. In order to determine whether cash flows are obtained through the receipt of contractual cash flows from financial assets, the Group considers the frequency, value and timeline of sales in previous years, the reasons for those sales and expectations concerning future sales activities. Nonetheless, sales as such do not determine the business model and therefore cannot be considered on a stand-alone basis. Rather, the information on past sales and future sales prospects offers indicative data of how the Group’s stated objective can be delivered in terms of managing financial assets and more specifically, the way in which the cash flows are obtained.

For assets measured at fair value, gains and losses are recognised in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, it will depend on whether the Group has adopted the irrevocable option at the time of initial recognition to record equity investments at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model managing these assets changes.

ii) *Measurement*

At the moment of initial recognition, the Group values a financial asset at fair value, plus, for financial assets not valued at fair value through profit or loss, the costs of the transaction directly attributable to the acquisition. Transaction costs of financial assets at fair value through profit or loss are recognised in the consolidated statement of comprehensive income.

iii) *Offsetting principles*

A financial asset and a financial liability are offset only when the Group currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

iv) *Financial assets and financial liabilities at fair value through profit or loss*

Financial assets and financial liabilities at fair value through profit or loss are those classified as held for trading or which have been designated on initial recognition.

A financial asset or liability is classified as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term,
- it forms part, on initial recognition, of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred.

After initial recognition, they are recognised at fair value while any variations are reflected in consolidated results. Fair value is not reduced by the transaction costs that may be incurred owing to the assets' possible sale or disposal through other means.

The Group does not reclassify any financial asset or financial liability into or out of this category while it is recognised in the consolidated statement of financial position.

v) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other financial asset categories. These assets are recognised initially at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

vi) *Debt instruments*

The measurement of debt instruments depends on the Group's business model to manage the asset and the characteristics of the cash flows from the asset. The Group's debt instruments mainly consist of trade and other receivables that the Group classifies as financial assets at amortised cost.

Financial assets at amortised cost are assets that the Group holds to collect contractual cash flows when these cash flows are solely payments of principal and interest and they are measured at amortised cost. Interest income on these financial assets includes financial income based on the effective interest method.

vii) *Equity instruments*

The Group holds financial assets, mainly equity instruments, that are measured at fair value. When Group management has opted to present gains and losses in the fair value of equity investments in other comprehensive income, following initial recognition, the equity instruments are measured at fair value, the gain or loss being recognised in other comprehensive income, notwithstanding being reclassified to reserves at the time the instruments are redeemed. Dividends from such investments continue to be recognised in the profit or loss for the year as Other Income when the Group's right to receive payment is established.

Impairment losses (and reversals of impairment losses) on equity investments measured at fair value through other comprehensive income are not presented separately from other changes in fair value.

viii) *Impairment*

The Group assesses on a prospective basis expected credit losses on debt instruments recognised at amortised cost. The Group uses the practical expedients permitted by IFRS 9 to measure expected credit losses on trade accounts using a simplified approach, thereby eliminating the need to assess when there has been a significant increase in the credit risk. The simplified approach requires expected losses to be recognised from the time of initial recognition of the receivables such that the Group determines expected credit losses as a probability weighted estimate over the financial instrument's expected life.

The practical expedient employed is the use of a provision matrix based on segmentation into groups of homogeneous assets, applying historical information on default rates for such groups and using reasonable information on future economic terms.

Following the analysis of the Group's trade receivables, three groups of homogeneous assets were identified: residential, corporate and wholesale. These groups have different characteristics in terms of the management of collection and recoverability of balances, specific matrices having been developed for them.

Default rates are calculated based on current default experience during the past year given the highly dynamic nature of the market and are adjusted for differences between current and historical economic terms, taking into account projected information which is reasonably available.

ix) *Disposals of financial assets*

The Group applies the criteria for derecognition of financial assets to part of a financial asset or part of a group of similar financial assets.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

x) <u>Financial liabilities</u>

Financial liabilities, including trade and other payables, which are not classified according to their fair value through profit or loss, are initially recognised at fair value less any transaction costs that are directly attributable to the issue of the financial liability. Following initial recognition, liabilities classified in this category are carried at amortised cost using the effective interest method.

xi) <u>Derecognition and modifications of financial liabilities</u>

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The Group considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the consolidated profit or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised by the Group in consolidated profit or loss.

i) Hedge accounting

Derivative financial instruments are initially recognised using the same criteria as those described for financial assets and financial liabilities. Derivative financial instruments that do not qualify for hedge accounting are classified and measured as financial assets and financial liabilities at fair value through profit or loss. At 31 December 2020 the Group has not applied hedge accounting. In any event, financial derivatives are not significant within the context of these consolidated annual accounts taken as a whole (see note 14 (a)).

j) Inventories

Inventories acquired in the context of a business combination are initially recognised at fair value.

Inventories are measured at the lower of cost of purchase or production and net realisable value.

The cost value of inventories is subject to adjustment against consolidated profit or loss in those cases where cost exceeds net realisable value. The net realisable value of merchandise is understood to be the estimated selling price less costs to sell.

The reduction in the previously recognised value is reversed against consolidated profit or loss if the circumstances that caused the impairment no longer exist or when there is clear evidence of an increase in the net realisable value as a result of a change in the economic circumstances.

The reversal of the fall in value is limited to the lower of cost and new net realisable value of inventories.

k) Government grants

Government grants are recognised when there is reasonable assurance that the conditions associated with their grant and collection will be met.

i) <u>Capital grants</u>

Capital grants awarded in the form of monetary assets are credited to government grants in the consolidated statement of financial position and released to other income as the assets financed are depreciated.

ii) Interest rate grants

Financial liabilities that include implicit aid in the form of the application of below market interest rates are recognised at inception at fair value. The difference between this value, adjusted where necessary for the issue costs of the financial liability and the amount received, is recognised as a government grant based on the nature of the grant awarded.

l) Provisions

i) General criteria

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Amounts recognised as a provision in the consolidated statement of financial position represent the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the provision and, where material, the financial effect of discounting, provided the disbursements to be made in each period can be reliably determined. The discount rate is a pre-tax rate and takes into account the time value of money and specific risks not considered in the cash flows related to the provision at each closing date.

The financial effect of provisions is recognised under finance costs in the consolidated statement of comprehensive income.

Provisions do not include the tax effect or expected gains on the disposal or abandoning of assets.

Reimbursement rights enforceable to third parties in order to settle the provision are recognised as a separate asset when actual collection is practically assured. Any income deriving from the reimbursement is recognised in the consolidated profit or loss as a reduction in the provision expense up to the amount of the provision.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the consolidated profit or loss item in which the related expense was recognised, and any surplus is accounted for in the heading Other operating income.

ii) *Provisions for unfavourable contracts*

Provisions for unfavourable contracts are based on the present value of unavoidable costs, determined as the lower of the contract costs, net of any income that could be generated, and any compensation or penalties payable for non-completion. Nonetheless, before recognising the provision, the Group recognises the impairment loss of non-current assets directly linked to the contracts.

iii) *Provisions for dismantling, restoration and similar liabilities*

These provisions are measured in accordance with the general criteria for provisions and are recognised as an increase in the cost of the associated property, plant and equipment.

Changes in provisions resulting from changes in the amount, timing of the outflow of resources or the discount rate increase or reduce the cost of fixed assets up to the carrying amount thereof, whilst any excess is recognised in the consolidated profit or loss. The Group assesses whether the increase in value of property, plant and equipment is indicative of impairment.

Any changes in provisions subsequent to the end of an asset's useful life are recognised in consolidated profit or loss when they arise.

m) Revenue recognition

Revenues from the sale of goods are recognised at the fair value of the consideration received or to be received from the same.

The Group recognises revenues when performance obligations are considered satisfied by providing telecommunication services to customers or transferring control over a good.

Volume discounts, prompt payment and any other discounts, as well as the interest added to the nominal amount of the consideration, are recognised at the time at which it is probable that the conditions determining their granting as a reduction in the income for sales or the rendering of services.

i) *Sale of goods*

Revenue from the sale of goods is recognised when the Group:

- It has transferred control over the assets to the buyer;
- The buyer has full autonomy over the channel and the selling price and there is no unsatisfied obligation that could affect the receipt of the assets by the buyer;
- The delivery takes place when the products have been sent to the location established by the buyer (distributor), the risk of loss and obsolescence has been transferred to the buyer and it has accepted the assets in accordance with the sale agreement, the acceptance clauses have expired or the Group has objective evidence that all acceptance criteria have been met.

If it is considered probable that discounts will be awarded to customers, and the sum can be reliably estimated, these are recorded as a decrease in revenues when the sale is recognised.

ii) *Revenue from providing services*

Group revenues come from the provision of telecommunication services to end customers (provision of telecommunications services through landline, mobile and broadband internet), interconnection and roaming services to other operators, trading services to wholesale customers and other services related to its statutory activity.

Usage based revenues (traffic revenues) are recognised as the service is rendered, while flat rate contracts are accounted for on a straight-line basis over the contractual period. When advances are received for prepaid services, the unused amount is recognised as a liability until used or until the contractual obligations are fulfilled.

Commercial package offers that combine several products or services are analysed to determine whether it is necessary to separate the different compliance obligations, applying the appropriate revenue recognition policy in each case. Total revenues for the package are distributed among the various identified compliance obligations based on their respective independent selling prices, i.e. the independent selling price of each compliance obligation with respect to the total independent selling price of the product or service.

iii) Contract assets

Contracts with tie-in periods in which discounts or terminal subsidies exist are recognised as a customer contract asset under "Contract assets" and are recognised on a straight-line basis as a reduction in revenue over the estimated life of the contract provided that the obligation to provide telecommunications services is fulfilled.

These assets are presented in the Group’s Consolidated Statement of Financial Position under current or non-current items, based on whether they will be taken to profit or loss within 12 months or afterwards.

Revenue from rentals and other services is recognised as the service is rendered.

iv) Commercial provisions

The Group offers its customers subscription services providing access to a terminal financing model, primarily using bank resources, for a term of 24 months, plus a final payment (Cuota 25). At the end of the financing contract the customer has the option of paying the final instalment or selling the terminal to the Group for the amount of the so-called Cuota 25. The Group estimates a provision for sales transactions to cover possible liabilities deriving from the Cuota 25 plan payment.

The Group estimates a provision for sales transactions to cover the possible risks deriving from the failure to make payment for the financing and the purchase of terminals, taking into consideration the market value of the terminal if acquired from the customer. The difference between the promised amount under the Cuota 25 plan and the expected market value of the terminal after 24 months (minimum term) will reduce the revenue generated by the service contract with the customer, thereby generating a month-to-month contractual liability that is cancelled at the time at which the customer exercises or not the sale option.

v) Costs of obtaining contracts with customers

The incremental costs that are directly attributable to obtaining and retaining convergent and non-convergent contracts with customers, and which may be individually identified and reliably measured, when considered probable that the payments made will be recovered and are expected to be recovered in more than 12 months, are initially recognised as an asset under the heading Costs of obtaining contracts with customers and are released to the consolidated statement of comprehensive income under “Supplies” over the term of the contract with the customer.

The Group has identified the fees paid for obtaining and retaining contracts, the commissions paid to distributors and the various sales platforms as costs of obtaining contracts with customers.

The Group allocates to the consolidated profit or loss the costs on a systematic basis which is consistent with the transfer to customers of the related goods or services. This is updated to reflect significant changes in the expected timeline of the transfer of the related goods or services to customers.

The Group performs an analysis regarding the average period between the payment of a fee to obtain a new contract and the moment at which a retention event occurs that generates a new fee. Such an event is associated with the signing of a new contract or a substantial modification to the contractual conditions agreed with a Customer, and it has determined that there is a 24-month amortisation period for mobile telephony customers and 48 months for contracts covering converging services. The difference in the amortisation period is due to the different retention approach for these two types of customers which is determined by behaviour observed in both cases, primarily due to the recognition of incremental costs for non-converging customers, which represent a higher relative weight in the customer base, for which more frequent retention activities take place. The changes have been recognised as changes in estimates.

The Group recognises an impairment loss if the carrying amount of costs exceeds the residual amount of the consideration that the Group expects to receive for the goods or services, less the costs directly related to their delivery that have not been recognised as an expense.

n) Income tax

The income tax income/(expense) includes both current and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Current or deferred income tax is recognised in the consolidated statement of comprehensive income unless it arises from a transaction or economic event that has been recognised in the same year or in a different year against equity or from a business combination.

As mentioned in Note 1, during the period ended 31 December 2020 the Company acquired the MásMóvil Group. That group's parent company, MásMóvil Ibercom S.A., files consolidated tax returns with the companies Xfera Móviles, S.A.U., Xtra Telecom, S.A.U., Embou Nuevas Tecnologías, S.L.U., MásMóvil Broadband, S.A.U., Pepeworld, S.L.U., Pepe Mobile, S.L.U., Pepe Energy, S.L. and The Bymovil Spain, S.L.U.

The accrued income/expense tax expense of the tax consolidated companies is determined by taking into account, in addition to the factors related to individual taxation, the following:

- Temporary and permanent differences arising from the elimination of results on intercompany transactions between tax-consolidated companies derived from the process for determining the consolidated tax base.

- Deductions and credits corresponding to each company forming the consolidated tax group. For these purposes, deductions and credits are allocated to the company that carried out the activity or generated the profit necessary to obtain the right to the deduction or tax credit.

Temporary differences deriving from eliminations of results between tax-consolidated companies are recognised in each company that generated the results and are measured at the tax rate applicable to it.

With respect to the portion of tax losses derived from a tax-consolidated companies which have been offset by the remaining tax-consolidated companies, reciprocal receivable and payable items arise between the companies recording the losses and the companies offsetting them. Any tax-loss carryforward that cannot be offset by the remaining tax-consolidated companies is recognised as a deferred tax asset pertaining to the tax group.

i) *Recognition of deferred tax liabilities*

The Group recognises deferred tax liabilities in all cases except where:

- they arise on the initial recognition of goodwill or on an asset or liability in a transaction that is not a business combination and, on the transaction date, has no effect on the reported result or tax base;

- they relate to differences associated with investments in subsidiaries and joint ventures over which the Group has the capacity to control the moment of its reversal and it is not probable that its reversal will occur in the foreseeable future.

ii) *Recognition of deferred tax assets*

The Group recognises deferred tax assets provided that:

- it is probable that taxable profit will be available against which the deductible temporary difference can be utilised or when tax legislation allows the future conversion of deferred tax assets into a receivable from public administration. However, assets arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affect neither accounting profit nor taxable income, are not recognised;

- this relates to temporary differences associated with investments in subsidiaries and joint ventures insofar as the temporary differences will reverse in the foreseeable future and taxable income is expected to be generated in the future to offset the differences.

Tax planning opportunities are only taken into account in assessing the recovery of the deferred tax assets if the Group intends to adopt them or is probable to adopt them.

The Group only recognises deferred tax assets arising from tax loss carryforwards when it is probable that future taxable profit will be generated against which they may be offset within the period stipulated in applicable tax legislation.

Conversely, it is considered probable that the Group will generate sufficient taxable profit to recover deferred tax assets when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which are expected to reverse in the same tax period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from a deductible temporary difference can be carried back or forward.

iii) *Measurement*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted. The tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

The Group reviews the carrying amount of deferred tax assets at the year-end in order to write down the amount recognised where it is unlikely that sufficient taxable income will be available against which to offset the assets.

Deferred tax assets that do not meet the above-mentioned conditions are not recognised in the consolidated statement of financial position. At the year end, the Group reassesses whether the conditions to recognise deferred tax assets that have not been previously recognised are met.

iv) Offset and classification

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

v) Tax uncertainties

If the Group determines that it is not probable that the tax authority will accept an uncertain tax treatment or a group of uncertain tax treatments, it considers that uncertainty in the calculation of the taxable base, tax bases, tax-loss carryforward credits, deductions and tax rates. The Group determines the effect of the uncertainty in the corporate income tax return using the expected amount method when the range of possible outcomes is diverse, or the most probable outcome method, when the outcome is binary or concentrated in a value. In those cases in which the tax asset or liability calculated using these criteria exceeds the amount presented in the self-assessments, the asset or liability is presented as a current or non-current item in the consolidated statement of financial position in accordance with the expected date of recovery or settlement and taking into consideration, if appropriate, the amount of any late-payment interest on the liability when accruing in the Consolidated statement of comprehensive income. The Group records changes in facts and circumstances regarding tax uncertainties as a change in estimates.

o) Prepayment for current/non-current assets

In addition to what is mentioned in note 4 (e) (iii), the Group recognises under this heading the payments made in advance which accrue after the end of the reporting period or have a multi-annual character. The concepts are charged to the consolidated statement of comprehensive income during its accrual period.

p) Environmental information

The Group takes measures to prevent, reduce and repair the damage caused to the environment by its activities.

Expenses deriving from environmental activities are recognised as Other operating expenses in the year in which they are incurred. Nonetheless, the Group recognises environmental provisions and, where applicable, reimbursement rights by applying the general criteria described in section l) of this note.

q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The activity of the Group primarily comprises the provision of landline and mobile telephone and internet services. These transactions constitute the Group's only segment of activity.

After the acquisitions carried out in previous years, the Group has become a one-stop telecommunications operator, forcing it to change its former markets-based management model (residential, business and wholesale) to an integrated management model as, although there are different types of customers, the service offered is convergent.

r) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale where their carrying amount will be recovered essentially through a sale transaction and not through continuing use, and the sale is deemed highly probable. In order to classify non-current assets (or disposal groups) as held for sale, they must be available for disposal in their current condition, exclusively subject to the usual terms and conditions of sale transactions, and the transaction must also be deemed highly probable.

The Group measures non-current assets (or disposal groups) held for sale at the lower of carrying amount and fair value less costs to sell, except assets such as deferred tax assets, assets arising from employee remuneration, financial assets and investment property, which are recognised at fair value, and rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent reduction in the value of the asset (or disposal group), less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset or disposal group, although this may not exceed the cumulative impairment loss previously recognised. The loss or gain not previously recognised at the date of sale of a non-current asset or disposal group is recognised on the date it is written off. The Group charges initial and subsequent impairment losses on assets held in this category to results from continuing activities in the consolidated statement of comprehensive income, unless they relate to a discontinued activity.

Non-current assets (including those that are part of a disposal group) are not depreciated while classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets and disposal group assets classified as held for sale are disclosed separately from the other assets in the consolidated statement of financial position. Disposal group liabilities classified as held for sale are disclosed separately from the other liabilities in the consolidated statement of financial position.

s) Classification of assets and liabilities as current and non-current

In the consolidated statement of financial position, assets and liabilities are generally classified on the basis of maturity, i.e. as current where the maturity period is 12 months or less and as non-current where maturity is in more than 12 months.

t) Consolidated cash flow statement

In the consolidated cash flow statement, prepared under the indirect method, the terms employed have the following meanings:

- Cash flows: inflows and outflows of cash and cash equivalents understood to be changes in the value of short-term, highly liquid investments.

- Operating activities: The Group's main sources of revenue and the investments not included in cash and cash equivalents.

- Investing activities: acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of equity and of liabilities and do not form part of operating activities.

4. Business combinations

4.1. Business combinations recognised in 2020

Details of the country of origin, acquisition price, net assets acquired and goodwill recognised for business combinations in the period ended 31 December 2020 are as follows:

Thousand Euro	Country	Cost of business combination net of cash received	Fair value of net assets identified	Goodwill
Subsidiaries				
MásMóvil Group	Spain	2,939,269	119,907	2,819,362
Ahímas Grupo	Spain	76,397	(4,113)	80,510
		3,015,666	**115,794**	**2,899,872**

Ahímas Group was acquired on 15 December 2020. During the period between the date of acquisition and 31 December 2020 consolidated revenue and profits generated by the Ahímas Group are not considered significant for the purposes of these Consolidated Financial Statements. Practically, all of the revenue presented in the consolidated statement of comprehensive income relate to the business acquired from MásMóvil Group.

If the acquisition of the Ahímas Group had occurred at the beginning of the year, taking into consideration the Company’s incorporation date of 4 February 2020, the main financial indicators would have changed as follows in 2020:

Thousand Euro	MásMóvil Group	Ahímas Grupo	Total
Revenues	1,773,572	37,735	1,811,307
Operating profit	162,648	7,517	170,165
Amortisation/ depreciation	(357,935)	(4,949)	(362,884)
Profit/ (loss) before taxes	15,532	4,419	19,951
Profit/ (loss) after tax	10,715	1,199	11,914

a) Acquisition of MásMóvil Ibercom, S.A.

As has already been mentioned in note 1, the Company acquired a controlling interest in MásMóvil Group, the parent of which is MásMóvil Ibercom, S.A. The acquired business generated consolidated revenue and profit for the Group totalling Euros 520,353 thousand and Euros 21,127 thousand, respectively, for the period between the acquisition date and December 31, 2020.

The price for the acquired interest was Euros 2,939,269 thousand. The calculation of the consideration transferred is disclosed below:

Consideration transferred for the acquisition:	
Price paid (euro per share)	22.5
Number of shares	130,634,194
Total consideration for the acquisition (thousand euro)	**2,939,269**

Details of the cost of the business combination, the fair value of the net assets acquired and the provisional goodwill recognised on consolidation are as follows:

Thousand Euro	Carrying amount of the aquired business	Fair value adjustments	Fair value	Consolidation adjustments (*)	Fair value at adquisition date
Intangible assets (note 5)	1,133,681	1,260,722	2,394,403	-	2,394,403
Property, plant and equipment (note 6)	753,259	-	753,259	-	753,259
Rights of use (note 7)	189,348	-	189,348	-	189,348
Cost of obtaining contracts with customers and contract assets (notes 8 y 9)	269,973	(172,116)	97,857	-	97,857
Investments in group companies and associates	14,974	-	14,974	-	14,974
Non-current financial assets	37,791	-	37,791	-	37,791
Deferred tax assets (note 21)	270,819	-	270,819	-	270,819
Prepayments	29,673	-	29,673	-	29,673
Inventories	2,422	-	2,422	-	2,422
Trade and other receivables	250,793	-	250,793	-	250,793
Current tax assets	38,119	-	38,119	-	38,119
Other investments	5,537	-	5,537	-	5,537
Cash and cash equivalents	73,244	-	73,244 -	-	73,244
Assets	**3,069,633**	**1,088,606**	**4,158,239**	**-**	**4,158,239**
Provisions	(76,535)	4,274	(72,261)	-	(72,261)
Loans and borrowings	(13,527)	-	(13,527)	-	(13,527)
Lease liabilities	(203,788)	-	(203,788)	-	(203,788)
Other payables	(288,402)	-	(288,402)	-	(288,402)
Other financial liabilities	(234,458)	-	(234,458)	-	(234,458)
Loans from related parties	(1,908,270)	(93,390)	(2,001,660)	93,390	(1,908,270)
Deferred tax liabilities	(77,495)	(252,727)	(330,222)	-	(330,222)
Other liabilities	(194,373)	-	(194,373)	-	(194,373)
Government grants	(14,112)	14,112	-	-	-
Trade and other payables	(736,777)	-	(736,777)	-	(736,777)
Current income tax liabilities	(24,618)	-	(24,618)	-	(24,618)
Liabilities	**(3,772,355)**	**(327,731)**	**(4,100,086)**	**93,390**	**(4,006,696)**
Identifiable net assets aquired			58,153	93,390	151,543
Non-controlling interest			(24,287)		(24,287)
Goodwill (note 5)			**2,905,403**	**(93,390)**	2,812,013
Cost of the business combination			**2,939,269**		**2,939,269**

(*) The Group has recorded the business combination in accordance with the provisions of IFRS 3 "Business Combinations". Part of the Purchase Price Assignment (PPA) process included adjustments to recognise the fair value of the assets acquired and liabilities assumed, among which were the elimination of the financing costs totalling Euros 93 million since they do not qualify as a recognisable asset within the PPA process. This financing and the associated costs were granted to Másmóvil Group by Lorca Finco Plc. The financing costs that were eliminated during the PPA process were recognised following the Group consolidation process as those costs are related to borrowings received from third parties that are recognised in these Consolidated Financial Statements.

On 22 September 2020, the Company obtained control of MásMóvil Group through the acquisition of 86.41% of the shares of MásMóvil Group. Subsequently, on 3 November 2020, it increased its ownership to 99.18% after maintaining a sustained order to purchase Company shares (Note 1). On 29 December 2020, the Shareholders of Lorca Telecom Bidco approved a share capital reduction for Másmóvil Ibercom, S.A., in relation to the shareholders who did not attend the tender offer (0.82% of the capital of said company) thus becoming the single shareholder of MásMóvil.

The MásMóvil Group has been the market leader in terms of growth in market share in the past few years and is the leading operator in portability and in the winning of new customers in fixed and mobile telephony, leading to its consolidation as the fourth largest operator in the Spanish market. The most relevant factor that gave rise to the recognition of goodwill is MásMóvil's growth expectations delivering on the Group's solid track-record and the plans to improve market share by obtaining new customer, coupled with the signing of strategic agreements with other operators in the industry in which the Group operates.

The Group has 12 months to determine the fair values deriving from the business combination, in accordance with IFRS 3. The figures included in the business combination at 31 December 2020 are considered to be provisional since there could be new information that changes the values that have been initially recorded, even though an assessment has been performed with the assistance of an independent expert. Any adjustment that is identified as a result of that additional information during the aforementioned period would be recognised as if it had been known on the acquisition date.

The fair value calculation method for the main assets and liabilities of the acquired business have been performed with the participation of a third-party expert and are as follows:

- Customer relationships: The Group has identified customer relationships as a primary intangible asset. The fair value has been measured at the acquisition date, through segmentation by product (prepaid, post-paid, convergence packages), by brand (Yoigo, MásMóvil, Pepephone, Lebara, Lycamobile and Llamaya) and residential/business customers, using the Multi-Period Excess Earnings Method (MEEM). Under this method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) net of contributory asset charges, attributable solely to the intangible asset over its remaining useful life. The key parameters used in the measurement of this intangible were the abandonment rate, gross monthly billing by user, a 4% contributory asset charges rate for convergence packages and 1.6% for prepaid and post-paid expenses that are necessary to maintain the service, and a 6.4% discount rate.

- Brands: The brands are identifiable assets as arising from contractual and/or other legal rights and are also separable assets. The three brands owned by MásMóvil Group whose fair value has been recognised are Yoigo, MÁSMÓVIL and Pepephone. The fair value of this intangible asset was calculated by applying the Relief from Royalty Method, the most significant parameters employed being a royalty of 1.4% for the Yoigo brand, 1.2% for the MÁSMÓVIL brand and 1% for the Pepephone brand, based on royalties observed in the sector, a discount rate of 8.4% and a growth rate to perpetuity of 1.76%.

- Property plant and equipment: No relevant differences between the carrying amounts and the fair amounts of the acquired property, plant and equipment have been identified, mainly because these assets are recent additions, less than 4 years having passed since their deployment and capitalization.

- Sales commissions paid to third parties for obtaining contracts with customers: Sales commissions do not comply with the definition of an acquired asset in a business combination since they represent past outflows that are apportioned over time. Their value is implicitly embedded in the measurement of relationships with customers.

- Customer discounts and mobile telephony terminal subsidies: are contract assets that represent actual debt claims and their carrying amount is assessed to represent their fair value. Their value has been excluded in the measurement of relationships with customers to avoid duplications.

- Government grants: Deferred income relating to non-repayable government grants has been eliminated since it does not qualify as liabilities assumed.

- Provisions: this line item contains provisions for unfavourable contracts that have been re-measured based on market conditions at the acquisition date; thus meaning that the difference between the annual cost incurred for those contracts up to their completion date and the costs that would have been incurred by similar contracts under market conditions has been calculated (see note 15).

- Deferred tax liabilities: these items have been estimated by applying the tax rate applicable to the acquired group (25%) to the difference between the accounting basis and tax basis for the assets acquired and the liabilities assumed.

Goodwill is considered to be fully deductible for tax purposes.

Acquisition costs totalled Euros 77,713 thousand and were recognised in other operating expenses (see note 22 d)).

a) Acquisition of Ahímas Group

On 15 December 2020 through its subsidiary Xfera Móviles S.A.U. the Group acquired 100% of the shares of Red LTE MM, S.L.U., TV Alcantarilla Comunicaciones, S.L.U., Oriol Fibra, S.L.U., Ahí Mas Nash, S.L.U. and Spotting Brands Technologies, S.L.U. which, in turn, hold direct and indirect interests in 19 companies that, together with the acquired companies, make up Ahímas Group. Those companies are domiciled in Spain and their corporate purpose is the operation or ownership of fixed or mobile telephony networks.

The initial acquisition price agreed in the contract totalled Euros 116,729 thousand. That price was subsequently adjusted by discounting the initial price by the amounts payable by Ahímas Group to MásMóvil Group companies, resulting in a final acquisition price of Euros 76,397 thousand. The price was paid through i) a cash payment of Euro 4,539 thousand on the date of the business combination ii) a cash payment of Euro 61,116 thousand made in the name and on behalf of the Ahímas Group to the secured creditors due to the cancellation of a senior loan facility (Senior Term Facility Agreement), iii) a deferred payment of Euro 6,000 thousand which is withheld as a guarantee for a 12 month period and is recognised under “Other financial liabilities” (see note 14 (d)) and iv) outstanding payments for the acquisition of the non-controlling interests for an amount of Euro 4,742 thousand (see note 14 (d)).

Details of the acquisition price, the fair value of the net assets acquired, and the provisional goodwill recognised are as follows:

Thousand Euro	Carrying amount of the aquired business	Fair value adjustments	Fair value
Intangible assets (note 5)	2,170	-	2,170
Property, plant and equipment (note 6)	16,664	-	16,664
Rights of use (note 7)	3,455	-	3,455
Investments in group companies and associates	19,320		19,320
Current financial assets	685	-	685
Inventories	2,962	-	2,962
Trade and other receivables	4,165	-	4,165
Other assets	1,765	-	1,765
Cash and cash equivalents	4,481	-	4,481
	-		
Assets	**55,667**	**-**	**55,667**
Loans and borrowings	(13,780)	-	(13,780)
Lease liabilities	(3,455)	-	(3,455)
Loans from related parties	(36,699)		(36,699)
Other liabilities	(524)	-	(524)
Government grants	(145)	-	(145)
Trade and other payables	(5,177)	-	(5,177)
Liabilities	**(59,780)**	**-**	**(59,780)**
Identifiable net assets aquired			(4,113)
Goodwill (note 5)			**80,510**
Cost of the business combination			**76,397**

Provisional goodwill totals Euro 80,510 thousand. The most relevant factor giving rise to the recognition of goodwill was the expected synergies, primarily due to the optimization of the mobile telecommunications network costs and the FTTH network costs that were incurred up to the acquisition date, since the Group will be using the mobile and FTTH network deployed and beneficiating from the wholesale agreements reached with third parties by the Ahímas Group. Goodwill is fully deductible for tax purposes.

Acquisition costs amounted to Euros 219 thousand. This amount was recorded as “Other operating expenses (see note 22 d)).

The Group has 12 months to determine the final fair values of the assets acquired and the liabilities assumed in the business combination, in accordance with IFRS 3. The values included in the acquisition of Ahímas are considered to be provisional since there could be new information that modifies the amounts initially recognised. However, the Group considers that the carrying amounts of the assets acquired and the liabilities assumed do not significantly differ from their fair values at the acquisition date. Any adjustment that is identified as a result of completion of the purchase price allocation exercise during the aforementioned period would be recognised as if it had been known on the acquisition date.

5. Intangible assets

Details of intangible assets and movements are as follows:

Thousand Euro	Goodwill	Computer Software	Patents, trademarks and licences	Development	Other intangible assets	Prepayments	Rights of use	Total
Cost								
Additions for business combinations (note 4)	2,899,872	113,794	416,351	1,260	1,255,825	10	609,333	5,296,445
Additions	-	16,999	199	-	4,037	-	3,243	24,478
Disposals	-	-	-	-	-	(10)	-	(10)
Transfers (note 6)	-	1,032	-	-	-	-	-	1,032
Balance at 31 December 2020	2,899,872	131,825	416,550	1,260	1,259,862	-	612,576	5,321,945
Amortisation and impairment losses								
Amortisation charge for the year	-	(9,762)	(4,591)	(309)	(47,159)	-	(8,628)	(70,449)
Balance at 31 December 2020	-	(9,762)	(4,591)	(309)	(47,159)	-	(8,628)	(70,449)
Carrying amount								
At 4 March 2020	-	-	-	-	-	-	-	-
At 31 December 2020	2,899,872	122,063	411,959	951	1,212,703	-	603,948	5,251,496

The explanatory notes form an integral part of the consolidated financial statements.

Goodwill

Goodwill arising on business combinations in 2020 (see note 4.1) have been assigned to the only CGU that the Group has called MásMóvil, since that CGU will benefit from the synergies that arise mainly through the optimization of the cost of leasing mobile telecommunications networks and the costs of the FTTH network borne to the transaction date, due to being able to use the mobile and FTTH networks deployed by the Group and be party to wholesale agreements concluded with third parties.

The recoverable amount of the CGU was determined based on value-in-use calculations. These calculations use cash flow projections from the business plan approved for a five-year period. After five years, cash flows are extrapolated using the terminal growth rates applicable to the industry in which the Group operates.

The key assumptions used by management when making cash flow projections are as follows:

- Post-tax discount rate: 7.4%. Group management performs impairment tests using discount rates after taxes with the understanding that estimates are made by market participants on a post-tax basis using the CAPM (Capital Asset Pricing Model) methodology when estimating the cost of own capital for the purposes of calculating that discount rate. Using the iterative method, the discount rate before taxes would be 8.47 %.
- Growth of sales in the budgeted period: a range between 2% and 10%, based on the evolution of the Group's business in 2020 and the strategic investment and growth plans. The growth levels are maintained until the end of 2022, at which time the Group estimates that it will reach maturity in the market as a result of the completion of its own network expansion plan and the infrastructure mutualisation plan with other operators. Starting from that year, average growth levels will be in line with those projected for the sector.
- Perpetual growth rates: 1.76%. In order to determine this rate, market sources have been used to obtain inflation expectations for Spain in the long term. The average of the inflation from various macroecomic sources for the 2024-2025 years has been selected. EBITDA margin/Revenue: around 38%, in line with the figure envisaged in the business plan and consistent with analysts' estimates.
- CAPEX/Revenue ratio: in line with the business plan and consistent with maintenance capital investment needs to perpetuity.

The Group determines gross margins and budgeted sales based on past experience and forecast market performance. The average weighted growth rates are coherent with the projections included in industry reports and consistent with the Group's evolution over the past few years, as well as the expectations that it has for coming years.

No goodwill impairment losses were recognised in 2020.

The Group has carried out a sensitivity analysis of the key assumptions used to determine the value of goodwill recognised:

- Discount rate: +2%
- EBITDA: -25% in the base scenario.
- Combination of assumptions: +1% discount rate, -10% EBITDA and -5% in revenue and cost of sales, applied to the base scenario.

The sensitivity analysis performed did not reveal the existence of any impairment of the value assigned to goodwill.

Computer software

Software additions during the period ended 31 December 2020 relate primarily to investments in the acquisition and development of IT solutions needed by the activity of the Group.

Patents, trademarks and licences

Trademarks

This item includes the assigned values of the “Yoigo”, “MásMóvil”, “Pepephone”, “Lycamobile” and “Llamayá” brands, according to the independent expert valuations performed for the business combinations mentioned in note 4.1.a) all have been assigned to the MásMóvil Group CGU.

There follows a summary by brand of indefinite useful life estimated by the Group, and their carrying amount:

Thousand Euro	**31/12/2020**
Brand	
Yoigo	164,350
MásMóvil	108,142
Pepephone	33,790
	306,282

The recoverable amount of trademarks is determined based on value-in-use calculations. These calculations use cash flow projections from the business plan approved for a five-year period. After five years, cash flows are extrapolated using the growth rates applicable to the industry in which the Group operates.

The key assumptions used by management when making cash flow projections are as follows:

- Discount rate after taxes: 8.40%. The discount rate before taxes, using the iterative method, would be 8.47%.
- Sales growth for the budgeted period: 5% per annum to 2024.
- Perpetual growth rates: 1.76%. In order to determine this rate, market sources have been used to obtain inflation expectations for Spain in the long term. The average of the inflation from various macroecomic sources for the 2024-2025 years has been selected. Perpetual yield on income: 1.25%.

No impairment losses were recognised on trademarks in 2020.

The Group has performed a sensitivity analysis of the key assumptions used to determine the recognised value of the trademarks:

- Discount rate: +/- 1%
- Sales growth: -2%
- Perpetual growth rate: -0.2%
- Perpetual yield on income: -0.1%

The sensitivity analysis performed did not reveal the existence of any risk of the impairment of the value assigned to the trademarks with an indefinite useful life.

<u>*Licences*</u>

Licences amounting to Euro 101,447 thousand reflect the cost attributed to mobile telephony service licences obtained or acquired for the following bands:

- 1800 MHz, valid to 2030;
- 2100 MHz, valid to 2030;
- 2600 MHz, valid to 2030;
- 3500 MHz, valid to 2030.

Development

This caption essentially reflects software project costs related to the telecommunications business of the Group from which future income is expected to be earned.

Other intangible assets

This heading primarily includes the measurement of the customer portfolios received through business combinations, which at 31 December 2020 presented a carrying value of Euro 1,177,689 thousand, and the necessary costs prior to the entry into operation of the 3500 MHz frequencies amounting to Euro 34,741 thousand.

Rights of use

The Group has reached relevant strategic agreements for wholesale access to third-party infrastructures and for the joint deployment of FTTH (Fiber-to-the-Home) networks with other operators, which allows improvements in their networks, stability in costs convergent business, improvements in unit prices for data transmission and the use of future technologies with sufficient flexibility to accommodate the growth of the Group, as well as mutualisation telecommunications infrastructure agreements that allow access to a relevant number of additional BUs.

During the 2020 financial year, the Group has negotiated certain wholesale agreements for the use of the mobile network and FTTH that contemplate a reduction in the unit cost per GB consumed, an increase in data buckets and other aspects related to the migration of mobile lines. The FTTH agreement includes a wholesale price reduction mechanism linked to committed volumes, and allows the Group's brands to access an incremental footprint of some 500 thousand BUs, as well as future deployments.

Right-of-use additions in 2020 amounting to Euro 3,243 thousand relate mainly to new mutualisation agreements with other telecommunications infrastructure operators giving access to a relevant number of additional BUs.

As a result of these agreements, the Group will be able to provide more fixed and mobile services through its own networks, which will enhance flexibility in cost management and improve the quality of the service offered to customers.

Therefore, the Group continues to implement the strategy of reaching agreements with telecommunications infrastructure operators to expand its own network (co-investment) and increase wholesale access to third-party networks.

In addition, at 31 December 2020 this heading includes the amount of Euro 25,734 thousand relating to the usufruct retained by the Group in order to fulfil the commitments arising from the irrevocable assignment to Jazz Telecom, S.A.U. (note 20) of the use of 40% of the BUs in its FTTH network and the indirect right-of-use of Jazz Telecom S.A.U.'s copper network under the framework agreement signed on 31 July 2015.

Impairment losses on intangible assets

The Group has analysed the possible existence of indicators of impairment of intangible assets, taking into the industry in which it operates, its management of the COVID-19 crisis and the financial forecasts drafted by Group management. As a result of the analysis performed, the conclusion is that there is no need to recognise impairment on intangible assets.

Purchase commitments

At 31 December 2020, the Group has firm purchase commitments for intangible assets amounting to Euro 21,381 thousand mainly deriving from the FTTH network mutualisation agreement signed with other operators.

6. Property, plant and equipment

Details of property, plant and equipment and movements are as follows:

Thousand Euro	**Land and buildings**	**Network equipment**	**Other PPE**	**PPE in progress and prepayments**	**Total**
Cost					
Balance at 4 March 2020	**-**	**-**	**-**	**-**	**-**
Additions for business combinations (note 4)	1,532	673,225	29,179	65,987	769,923
Additions	39	104,177	3,137	776	108,129
Disposals	-	(45,525)	(3)	-	(45,528)
Transfer to assets held for sale	-	(48,413)	-	-	(48,413)
Transfers	-	21,787	-	(22,819)	(1,032)
Balance at 31 December 2020	**1,571**	**705,251**	**32,313**	**43,944**	**783,079**
Depreciation					
Balance at 4 March 2020	**-**	**-**	**-**	**-**	**-**
Depreciation charge for the year	(6)	(49,601)	(1,759)	-	(51,366)
Disposals	-	22,117	-	-	22,117
Transfer to assets held for sale	-	1,121	-	-	1,121
Balance at 31 December 2020	**(6)**	**(26,363)**	**(1,759)**	**-**	**(28,128)**
Carrying amount					
At 4 March 2020	**-**	**-**	**-**	**-**	**-**
At 31 December 2020	**1,565**	**678,888**	**30,554**	**43,944**	**754,951**

The main additions during the period ended 31 December 2020 relate to network equipment and more specifically to the capitalisation of fibre equipment and related installations in customers' homes, as well as to the deployment of the fixed and mobile network.

Transfer to assets held for sale for a net book value of Euro 47,292 thousand, corresponding to the assets that will be sold to InfraCo that the Group plans to establish (see notes 2 (d), 27 and 29).

The other transfers made in 2020 relate essentially to the degree of completion of construction of the telecommunications network.

No interest was capitalised in 2020.

Network equipment

This item includes the assets that make up the fixed and mobile telecommunications network.

The Group has entered into collaboration agreements for the joint deployment of the FTTH network, where each party deploys its own network and assigns use to the other party while retaining ownership of the asset (mutualisation). Third parties' right of use of the Group's own infrastructures is charged to other non-current liabilities (see note 20), while the right of use granted to the Group of the infrastructures deployed by third parties is carried as an intangible asset (see note 5).

Similarly, during 2020 the Group has reached an agreement with another operator for the deployment of 2.2 million FTTH new-build BUs between 2020 to 2023, of which the Group has committed to deploy 500.000 BUs, with the option of deploying a further 250,000. The new BUs will cover the entire footprint of both the Group and another operator and both parties have committed to exclusive wholesale bitstream use in the newly deployed network for a period of 20 years. Additions in 2020 primarily relate to the acquisition of routers and the development of the Group's fixed and mobile telephony network.

During the period ended 31 December 2020, the Group recognised the disposal of routers and associated installation costs that were collected from the homes of customers that decide to terminate their telecommunications service contract, which are not recoverable for subsequent use and have been sold by the Group to third parties at a loss of Euro 12,103 thousand (note 22 f)).

Insurance

The Group has taken out insurance policies to cover the risks to which its property, plant and equipment are exposed. The coverage provided by these policies is considered to be sufficient.

Property, plant and equipment subject to guarantees

At 31 December 2020, a part of the land and buildings where the Group carries on its business have been mortgaged as security for bank borrowings (see note 14 (e)).

Purchase commitments

At 31 December 2020, the Group has purchase commitments for property, plant and equipment totalling Euro 57,650 thousand with which to expand its telecommunications network in the coming years.

Impairment of property, plant and equipment

The Group has analysed the possible existence of indicators of the impairment of property, plant and equipment taking into account the industry in which it operates, its management of the COVID-19 and the financial forecasts drawn up by Group Management. The analysis evaluates the existence of circumstances that could indicate that the carrying amount of the property, plant and equipment owned by the Group may not be recoverable.

No impairment of property, plant and equipment was identified as a result of the analysis.

7. Leases

This note provides information on leases in which the Group is the lessee. Information on leases where the Group is the lessor were included in note 19. The main types of lease agreements identified by Group management, as well as the main judgements applied when determining the terms of the lease, are as follows:

- Lease agreements covering mobile telephony network locations: rights to use identifiable spaces in the mobile telephony infrastructures of other telephony operators or infrastructure operators and spaces in specific locations. The Group has not applied any significant judgements regarding the terms of the leases under these agreements since there are initial mandatory compliance periods of between 8 and 15 years (with possible termination only in circumstances that may be classified as remote or after making full payment of outstanding amounts), and the Group does not have any unilateral extension options. As a result, the term of these leases is generally the outstanding mandatory compliance period. There are certain exceptions where the Group is entitled to a unilateral extension right and early termination, although they are not relevant.

- OBA contracts and fibre-optic networks: rights to use identifiable spaces in technical facilities (OBA) to house the Group's active equipment, as well as the pipelines for the installation of fibre -optic networks. The Group has the right, but not the obligation, to use the relevant underlying assets for an indefinite period. As a result, the term of the leases is associated with the period over which the possibility of covering the operating needs satisfied by these assets with other assets or alternative means may be deemed to be remote. Although the use of assets or other alternative means in this respect could be considered to be remote, taking into account the period covered by the Group's business plans and the rate at which relevant changes could take place Group management considers that the term of these contracts cannot be established for a period exceeding 5 years.

- Transmission line contracts: rights to use groups of assets making up fibre-optic networks ("dedicated networks"). The Group has not applied any significant judgements regarding the terms of the leases under these agreements since there are initial mandatory compliance periods (with possible termination only in circumstances that may be classified as remote or after making full payment of outstanding amounts), and the Group does not have any unilateral extension options. As a result, the term of these leases is generally the outstanding mandatory compliance period.

- Housing contracts: rights to use identifiable spaces in properties, technical telecommunications facilities or infrastructures of public bodies or third parties to house the Group's equipment. As a general rule, the term of the lease initially taken into consideration is that which is mandatory. However, when the mandatory compliance period is less than the time during which the possibility of covering the operating needs for which these assets will be used with other assets or alternative means may be deemed to be remote, Group management uses the latter (without exceeding the maximum period of the right granted to the Group in accordance with the contract). As was the case with the OBA and the cabling pipelines, although the use of assets or other alternative means in this respect could be considered to be remote, taking into account the period covered by the Group's business plans and the rate at which relevant changes could take place Group management considers that the term of these contracts cannot be established for a period exceeding 5 years, which is used as a reference for these contracts.

- Other contracts: rights of use relating to the lease of offices, vehicles and other assets not directly related to operations. The lease terms are generally the minimum periods established in the agreements.

The payments associated with short-term lease agreements are recognised as an expense in the consolidated statement of profit or loss. A short-term lease agreement is any for a term of 12 months or less.

The payments associated with low-value lease agreements are recognised as an expense in the consolidated statement of profit or loss. A "low-value lease agreement" is considered to be any whose underlying asset assigned for use has a value of less than Euro 5 thousand.

Movements in the rights of use are as follows:

Thousand Euro	**Rights of use**
Cost	
Balance at 4 March 2020	-
Additions for business combinations (note 4)	192,803
Additions	9,137
Disposals	(1,679)
Balance at 31 December 2020	200,261
Amortisation	
Amortisation charge for the year	(9,935)
Disposals	1,107
Balance at 31 December 2020	(8,828)
Carrying amount	
At 4 March 2020	-
At 31 December 2020	191,433

The explanatory notes form an integral part of the consolidated financial statements.

The liabilities related to these lease contracts as of 31 December 2020 are detailed in note 14 (c).

8. Costs of obtaining contracts with customers

This relates to the capitalization of certain costs to obtain contracts with customers in accordance with the matters mentioned in note 3 (m). Set out below is an analysis of these costs showing movements during 2020:

	31/12/2020	
Thousand Euro	**Non-current**	**Current**
Balance at 4 March 2020	-	-
Additions for business combinations (note 4)	-	-
Additions	30,957	17,374
Taken to profit or loss	-	(1,350)
Transfers	(536)	536
Balance at 31 December 2020	**30,421**	**16,560**

9. Contract assets

This relates to the activation of the straight-line treatment of discounts and subsidies granted to customers mentioned in note 3 (m). The composition of and movements in these assets during 2020 are as follows:

	31/12/2020	
Thousand Euro	**Non-current**	**Current**
Balance at 4 March 2020	-	-
Additions for business combinations (note 4)	41,312	56,545
Additions	8,622	27,703
Taken to profit or loss	-	(28,051)
Transfers	(17,959)	17,959
Balance at 31 December 2020	**31,975**	**74,156**

10. Other investments

Details of other investments are as follows:

Thousand Euro	**31/12/2020**
Non-current	
Equity instruments	1,718
Loans to companies	5,584
Deposits and guarantees	1,587
Other financial assets	3,570
	12,459
Current	
Loans to companies	14,546
Deposits and guarantees	2,034
Other financial assets	289
	16,869

The Group, through the Group company Xfera Móviles, S.A.U., has purchased from an unrelated third party a minority interest for Euro 873 thousand.

As regards the interest in Ticnova Quality Team, S.L., the Group entered into a purchase and sale option agreement with the related company GAEA Inversión SCR, S.A. (GAEA) (Note 23 (b)) stipulating that the latter company may exercise a purchase option on the Group's shares in Ticnova Quality Team, S.L. for five years following the purchase date at a price that will increase by 6% per annum with respect to the price paid by the Group, subject to a minimum multiple of 1.2x the purchase price. The Group in turn has an option to sell the shares to GAEA for a period of six months following the end of year five as from the transaction date at a price stipulated in the agreement. The Company's directors do not envisage a material impact on these consolidated annual accounts, taken as a whole, due to the possible exercise of these purchase and sale options.

In turn, the Group recognises in equity instruments the amount of Euro 800 thousand relating to 11.78% of the interest acquired by the subsidiary Lycamobile, S.L.U. in an Economic Interest Grouping (EIG) in December 2020.

Non-current loans to companies relate mainly to the credit line granted by the subsidiary MásMóvil Broadband, S.A.U. to the associate Cabonitel S.A., the amount of Euro 3,566 thousand having been drawn down at 31 December 2020. This loan has an interest rate of 2.85% and matures in November 2026 (note 23 (a)). The remainder reflects long-term loans granted by the subsidiary Xfera Móviles S.A.U. to not related parties. These operations accrue interest at market rates.

Other non-current financial assets mainly include long-term instalments receivable on financing granted to the Group's customers to buy telephone terminals in the amount of Euro 3,011 thousand. This financing has a 24-month term and is completely independent of the financing provided by financial institutions directly to customers. The current amount receivable is included in the trade receivable balance (see note 12).

Current loans to companies mainly reflect a receivable from the former shareholders of Pepemobile, S.L. as a result of the court judgement ordering them to pay damages to Xfera Móviles, S.A.U.'s subsidiary for breach of contract (note 24).

The Group's exposure to credit risk, liquidity risk and market risk is described in note 18.

11. Investments in associates consolidated applying the equity method

The Lorca JVCo Group comprises several companies in which the Group has significant influence, either through the incorporation together with other investors or the acquisition of shares.

The following table shows the associates at 31 December 2020. The companies listed below have share capital composed only by ordinary shares, which are held directly by the Group. The ownership interest is the same as the percentage of voting rights held.

Thousand Euro	Country of incorporation	% of ownership	Carrying amount
Subsidiaries			
Medbuying Technologies Group, S.L.	Spain	45.00%	4,500
Inversiones Locua, S.L. (through Spotting Development, S.L.)	Spain	31.66%	13,094
Xfera Consumer Finance, Establecimiento Financiero de Crédito, S.A.	Spain	49.00%	5,666
Onlycable Comunicación, S.L. (through Spotting Brands Technologies, S.L.)	Spain	75.00%	11,803
Open Cable Telecomunicaciones, S.L. (through Alma Telecom, S.L.)	Spain	18.17%	281
Cabonitel S.A.	Portugal	49.99%	-
			35,344

The Group has not recognised 2020 losses of Cabonitel, S.A. in the amount of Euro 428 thousand since it has already been fully written down.

- **Medbuying Technologies Group, S.L.**

MásMóvil Ibercom S.A., Global Dominion Access, S.A. and Euskaltel, S.A. set up the company Medbuying Technologies Group S.L. to engage in the purchase and sale of all kinds of mobile telephony and technology devices. This company is 45% owned by the Group.

- **Xfera Consumer Finance, Establecimiento Financiero de Crédito, S.A.**

Xfera Móviles S.A.U., together with Banco Cetelem, S.A.U., set up the hybrid payment entity Xfera Consumer Finance, Establecimiento Financiero de Crédito S.A. The Group has a 49% ownership interest. This company began to do business in 2020, once the pertinent Bank of Spain authorisation had been granted.

- **Inversiones Locua, S.L. through Spotting Development, S.L.**

With the acquisition of Grupo MásMóvil, the Group acquired a 50,0001% stake in Spotting Development, S.L, whose only asset is the investment of 31.6635% of the capital stock of Inversiones Locua, S.L. On 15 December 2020, the Group, through its company Xfera Móviles SAU, increased its participation until obtaining 100% of the share capital of Spotting Development, SL, through the purchase option that had been granted on the rest of the shares of Spotting Development, SL, representing 49.9999% of the share capital held by unrelated third parties (see note 2 (a)). Said participation is consolidated by the equity method.

Inversiones Locua, S.L. (ILocua) which, in turn, forms part of a group with other telecommunications operators, whether commercial companies or owners of fixed or mobile networks (Ahímas Group). As outlined in note 4.1.b), during 2020 the Group acquired certain companies that made up said Group.

- **Cabonitel, S.A.**

At 31 December 2020 the Group has a 49.9% interest in Cabonitel, S.A. (Cabonitel) through the subsidiary MásMóvil. The remaining ownership interest of 50.01% is held by GAEA Inversión SCR, S.A. (GAEA). Cabonitel is a Portuguese company which owns the Portuguese telecommunications operator Nowo Communications S.A. (NOWO), which is in turn wholly owned by Winreason, S.A., a holding company and the sole shareholder, indirectly, of Onitelecom Infocomunicaçoes, S.A. (ONI).

On 17 November 2020 an agreement was signed between MásMóvil and GAEA under which GAEA granted a call option to MásMóvil over its shares in Cabonitel, representing 6.66% of share capital, and MásMóvil granted GAEA a put option over such shares. Both options were granted gratuitously, without a price or premium, without prejudice to the share prices agreed following the exercise of such options outlined in the agreement. Subject to the conditions mentioned below, MásMóvil may exercise that call option at any time as from the date of the agreement and for a 12-month period. GAEA may exercise the put option over seven days following the end of the period for exercising the aforementioned call option by MásMóvil.

Irrespective of the agreement mentioned in the previous paragraph, on 17 December 2020 an agreement was signed between MásMóvil and GAEA under wich GAEA granted a call option to MásMóvil over its shares in Cabonitel, representing 43.34% of share capital, and MásMóvil granted GAEA a put option over such shares. Both options were granted gratuitously, without a price or premium, without prejudice to the share prices agreed following the exercise of such options outlined in the agreement. Subject to the conditions mentioned below, MásMóvil may exercise this call option at any time as from 20 September 2021 and over a 12-month period. GAEA may exercise the put option over a 30-day period only if MásMóvil has not exercised its call option within the first 15 days of the relevant exercise period.

The exercising of such call and put options mentioned in the above paragraphs is contingent on authorisation by the Portuguese anti-trust authorities. Taking into account that the conditions for exercising the aforementioned call and put options are not met at year end, the Company's Directors concluded the options do not grant the Group control of Cabonitel as at the reporting date and, therefore, the option is a derivative financial instrument that is measured at fair value through changes in the consolidated statement of comprehensive income. At 31 December 2020, the fair value of this instrument amounts to zero.

On 6 November 2020, a framework agreement was signed between MásMóvil, GAEA, Cabonitel and NOWO, and on 26 November 2020, an addendum was signed to said framework agreement for the performance of certain transactions involving the sale of assets and subsidiaries of the Cabonitel Group. During the first quarter of 2021, a series of agreements took effect under which (i) NOWO acquired AlterLinks - Infraestruturas de Comunicações, S.A., a newly incorporated company which belongs to the Cabonitel Group and owns a backbone network and (ii) GAEA acquired 100% of the shares in Winreason, S.A., and therefore the operations of ONI's business. These transactions were subject to approval by the Portuguese Anti-trust Authorities (ANACOM), which was obtained in January 2021.

- **Onlycable Comunicación, S.L. (through Spotting Brands Technologies, S.L.)**

On 15 December 2020, the Group, through Spotting Brand Technologies, S.L., which belongs to the Ahímas Group (see note 4.1.b)) acquired a 75% interest in Onlycable Telecomunicaciones, S.L. whose corporate purpose is the provision of all types of telecommunications, core carrier and value added services, through wire, cable or fibre. The Group has consolidated this company applying the equity method considering the current shareholder's agreements between the companies.

Summarised financial information regarding associates

A summary of the financial information regarding the associates that have been identified as material and/or significant for the Group is presented below. The information presented reflects the amount included in the financial statements for the relevant associate and not the interest of Lorca JVCo Group in those amounts:

Summarized balance sheet (unaudited) - *Thousand Euro*	**Medbuying Technologies**	**Inversiones Locua**	**Xfera Consumer Finance**	**Onlycable**
Current assets	47,783	10,761	40,676	4,718
Non-current assets	14	48,208	139	21,378
Current liabilities	(37,788)	(3,517)	(30,095)	(8,876)
Non-current liabilities	-	(44,591)	-	(1,483)
Net assets	10,009	10,861	10,720	15,737
Reconciliation to carrying amounts				
Opening net assets (at date of acquisition)	10,000	9,652	12,051	15,737
Profit/ (loss) for the year	-	31,705	(487)	-
Closing net assets	10,000	41,357	11,564	15,737
Group's share in %	45.00%	31.66%	49.00%	75.00%
Group's share in thousand Euro	4,500	13,094	5,666	11,803
Carrying amount	4,500	13,094	5,666	11,803

Condensed total comprehensive income (unaudited)- Thousand Euro	**Medbuying Technologies**	**Inversiones Locua**	**Xfera Consumer Finance**	**Onlycable**
Profit/ (loss) for the year	**-**	**19,404**	**(487)**	**N/A**
Other comprehensive income	-	-	-	N/A
Total other comprehensive income	**-**	**19,404**	**(487)**	**N/A**

(*) N/A: The Group has not recognised results for the year for the company Onlycable Telecomunicaciones, S.L. as it was added to the Group at year end

Considering the percentage of the Group's interest in each of the consolidated associates applying the equity method, the attributable profit for 2020 is Euro 5,627 thousand.

12. Trade and other receivables

A breakdown of trade and other receivables is as follows:

Thousand Euro	**31/12/2020**
Trade receivables	269,861
Other receivables	1,438
Other receivables from Public Administrations	17,311
	288,610
Impairment adjustments	(7,429)

	281,181

Other receivables from Public Administrations relate mainly to balances refundable in respect of Value Added Tax ("VAT").

Movements in the loss allowance (see note 22 (d)) are as follows:

Thousand Euro	**31/12/2020**
Opening balance	-
Charges	(9,304)
Reversals	158
Applications	1,717
Closing balance	**(7,429)**

The Group's exposure to credit risk, liquidity risk and market risk is described in note 18.

13. Equity

Details and movements of equity are shown in the consolidated statement of changes in equity.

a) Share capital

	31/12/2020
Authorised:	
1,850,038,261 ordinary shares of Euro 0.01 each	18,500
	18,500
Issued and fully paid:	
92,501,914 ordinary shares issued of Euro 0.01 each	925
1,757,536,347 preference shares issued of Euro 0.01 each	17,575
At 31 December 2020, 1,850,038,261 shares of Euro 0.01 each	**18,500**

Share capital was issued at above par resulting in share premium of € 1,831,538 thousand.

Share subscriptions during the period ended 31 December 2020 are as follows:

	Date	Number of shares	Nominal (€)	Amount paid (€)	Share capital (€)	Share premium (€)	Total
Ordinary A1	04/03/2020	2	1	1	2	-	2
	17/09/2020	77,021,257	0.01	1	770,212	76,251,044	77,021,256
	28/12/2020	3,732,912	0.01	1	37,329	3,695,583	3,732,912
Total ordinary A1		**80,754,171**			**807,543**	**79,946,627**	**80,754,170**
Ordinary A2	28/12/2020	11,747,743	0.01	1	117,477	11,630,266	11,747,743
Total ordinary A2		**11,747,743**			**117,477**	**11,630,266**	**11,747,743**
Preferred	17/09/2020	1,463,400,135	0.01	1	14,634,001	1,448,766,134	1,463,400,135
	28/12/2020	294,136,212	0.01	1	2,941,362	291,194,850	294,136,212
Total preferred		**1,757,536,347**			**17,575,363**	**1,739,960,984**	**1,757,536,347**
Grand total		**1,850,038,261**			**18,500,383**	**1,831,537,877**	**1,850,038,260**

Lorca JVCo management has evaluated the preferential rights associated with the preference shares and has concluded that the Company does not have an unconditional obligation to deliver cash or another financial asset to settle the obligation. If there is a commitment to distribute cash, the approval and distribution is subject to approval by the Company's Board of Directors and this is discretionary as to its timing and amount. For this reason, the Company classifies the preference shares as equity instruments.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

b) Retained earnings and other reserves

	31/12/2020
Loss for the period	(65,179)
Other reserves	(290)
At the end of the period	**(65,469)**

14. Financial liabilities

Details of financial liabilities are as follows:

	31/12/2020	
Thousand Euro	Non-current	Current
Loans and borrowings	2,098,012	7,862
Loans from related parties (note 23)	-	200,935
Other payables	79,779	307,846
Lease liabilities	157,281	33,813
Other financial liabilities	812,376	295,750
Trade and other payables	-	752,113
	3,147,448	**1,598,319**

a) Loans and borrowings

Details of loans and borrowings are as follows:

Thousand Euro	Non-current	Current
Loans	2,098,012	5,829
Credit lines	-	910
Other loans and borrowings	-	1,123
	2,098,012	**7,862**

The terms and conditions of loans and borrowings at 31 December 2020 are as follows:

Thousand Euro

Company	Currency	Fixed or variable rate	Effective interest rate	Maturity	Nominal	Current	Non-current	Total
Various financial institutions (Senior Debt)	EUR	Fixed	4.250%	2027	2,200,000	3,376	2,088,135	2,091,511
Other loans and credit policies	EUR	Fixed / Variable	-	2021-2025	-	4,486	9,877	14,363
						7,862	2,098,012	2,105,874

This note provides information regarding the contractual terms of loans and borrowings, which are measured at amortised cost.

See note 18 for further information regarding the Group's exposure to interest rate, currency and liquidity risks.

2020

During 2020, the Group has entered into a financing agreement with various national and international banks for an amount of Euro 3,500 million. The purpose of this financing agreement is the refinancing of the debt structure of the MásMóvil Group acquired (see notes 1 and 4), and the financing of part of the acquisition price of such Group and its future development. This financing operation is structured as follows

(i) Euro 2,200 million through a syndicated financing agreement without maintenance covenants (TLB), accruing interest at a rate of Euribor + 4.25% per annum, the terms of which are linked to (i) the Net senior debt / EBITDA ratio (based on the definition of EBITDA established in the agreement), and (ii) certain criteria relating to sustainability. This loan, which was signed on 3 July 2020 by the subsidiary Lorca Finco Plc, has been placed among institutional investors. The loan is repayable in a single payment (bullet maturity) after 7 years (July 2027). At 31 December 2020, the Group had drawn down the full amount of this loan. The bank expenses associated with this loan have amounted to Euro 117 million and have been treated as part of the amortised cost of the loan.

(ii) Euro 500 million in the form of a revolving credit facility (RCF) accruing interest at a rate of Euribor + 3.5% per annum, the terms of which are associated with the (i) the Net senior debt / EBITDA ratio (based on the definition of EBITDA established in the agreement) and (ii) certain criteria relating to sustainability. This credit facility, which was signed on 3 July 2020 by the subsidiary Lorca Finco Plc, has been granted by various financial institutions. This credit facility can be used to meet the Group's operational needs and has a “springing covenant” which is activated at the time the drawndown amount exceeds 40% of the total credit facility. At 31 December 2020, the Group had made no drawdowns against this credit facility (see note 2 (d)).

(iii) On 3 July 2020, Lorca Finco Plc., signed a senior bridge loan agreement ("Senior Bridge Facility Agreement"), for a maximum of Euro 800 million, granted by various financial institutions and accruing interest at a rate of Euribor + 4.75% per annum. An amount of Euro 664 million was drawn down against this loan and subsequently cancelled, on 30 September 2020, using part of the funds obtained from the issue of bonds taking place on that same date (see section d) of this note).

This new debt is secured by a package of guarantees, the most important of which is that corresponding to the shares/holdings in the Company's principal subsidiaries and Lorca Telecom Bidco (see note 13 (a)), as well as the shares of Lorca Holdco Ltd.

To mitigate the volatility of the interest rate risk on the TLB, the interest rate hedges (swaps and caps) originally contracted by MásMóvil Group have been transferred to Lorca Finco Plc. At the date of issue of these consolidated financial statements, the Group has contracted interest rate cash flow hedging instruments with a notional amount of Euro 725 million. The valuation of this derivative instrument at 31 December 2020 is not material for these consolidated financial statements taken as a whole (see note 3 (i)).

This debt, together with the share capital increase that was carried out in 2020 (note 13 (a)), allowed:

- The acquisition of MásMóvil Group (notes 1 and 4.1.a)).

- The cancellation of the syndicated loan originally obtained by MásMóvil Group in May 2019 for a total amount of Euro 1,457 million, including principal for a nominal amount of Euro 1,450 million plus interest and breakage costs amounting to Euros 7 million.

- The cancellation of the credit facilities granted to MásMóvil Group by several financial institutions in May 2019 for a total amount of Euro 96 million, including principal for a nominal amount of Euros 95 million plus interest and breakage costs amounting to Euro 1 million.

- The cancellation of a bridge financing agreement concluded by MásMóvil Group in May 2020 with two international financial institutions to obtain financing in addition to the senior financing contract signed in May 2019. That cancellation took place in the amount of Euros 584 million, including principal for a nominal amount of Euros 582 million plus interest and breakage costs amounting to Euros 2 million.

- The cancellation of current lines of credit totalling Euros 53 million obtained by MásMóvil Group prior to the Company´s acquisition.

b) Other payables

This note provides information regarding the contractual terms of other debts that are measured on an amortised cost basis. See note 18 for further information regarding the Group's exposure to interest rate, currency and liquidity risks.

The heading "Other payables" essentially records payables to asset suppliers relating to the deployment of the telecommunications network showing a current and non-current balance of Euro 274,273 thousand and Euro 63,884 thousand, respectively.

This heading also records the balance relating to the loans granted by public entities (Ministry of Industry, Tourism and Commerce) whose effective interest rate varies between 0.00% and 4.00% and are for a total of Euro 5,674 thousand at 31 December 2020. The current tranche amounts to Euros 3,628 thousand at 31 December 2020 while the non-current tranche totals Euros 2,046 thousand.

c) Lease financial liabilities

This heading records the amount of the liabilities relating to the lease agreements under IFRS 16.

d) Other financial liabilities

The balance of "Other financial liabilities" at 31 December 2020 essentially includes the following items and transactions:

Non-current

- Euro 797,933 thousand corresponding to bonds issued.

Issue of senior secured bonds amounting to a total of Euro 800 million, with a fixed annual coupon of 4.00%, maturing in September 2027. The bonds were issued by the subsidiary Lorca Telecom Bondco, S.A.U., which is indirectly wholly owned by Lorca JVCo, and the funds obtained have been used to cancel the bridge financing facility (see section a) (iii) of this note), as well as to acquire part of the shares of the MásMóvil Group. These bonds have been issued in two operations:

a) An initial issue amounting to Euro 720 million at par value (7,200,000 bonds with a par value of Euro 100,000), on 30 September 2020.

b) Subsequently, on 10 November 2020, there was an issue of 800,000 fungible bonds (same coupon and same maturity) which were placed among investors at 101.375% of their par value, the amount obtained totalling Euro 81 million.

Both issues form part of the same bond issue contract and shall pertain, to all intents and purposes, to a single series (collectively, the "Bonds") and the information memorandum in respect of them has been entered in the official registers of the Luxembourg stock market and they are listed on the Euro MTF Market.

The issue expenses in respect of these Bonds amounted to Euro 2,088 thousand and were treated as part of their amortised cost.

Euro 13,309 thousand relating to the discounted value of the amount payable to the company Jazz Telecom S.A.U as a result of the agreement regarding the assignment of the indirect right held by the latter company to use the copper line network maintained by Telefónica de España, S.A. to the subsidiary MásMóvil Broadband, S.A, with maturity date of 2 December, 2023 (note 5).

Current

- Euro 183,000 thousand correspond to promissory notes issued by the Group through its subsidiary MásMóvil Ibercom S.A., all of which were issued within the framework of the new Promissory Notes Programme amounting to Euro 300,000 thousand, which was registered on the MARF on 22 October 2020 (see notes 2 (d) and 29)). The promissory notes have been issued at interest rates of between 0.2% and 0.28% per annum.

- Euro 68,444 thousand correspond to deferred payments in respect of business combinations taking place during 2020.

- Euro 8,178 thousand corresponding to interest accrued on the bonds issued.

- Euro 4,719 thousand corresponding to the amount payable to Jazz Telecom S.A.U. as a result of the agreement signed for the assignment of the indirect right of use of the Telefónica de España, S.A. copper network, by said company to the subsidiary MásMóvil Broadband, S.A.U.

- Euro 8,037 thousand corresponding to the debt payable to former shareholders of the Group company Xfera Móviles S.A.U. (see note 24).

- Euro 23,372 thousand corresponding to loan contract with Onchena S.L. and Key Wolf.

  On 24 September 2020, the Parent Company Lorca JVCO limited, entered into a two loan agreement with Onchena, S.L, and Key Wolf, S.L for a total amount of Euros 28,212 thousand and Euro 20,840 thousand, respectively, in order to grant short term financing to meet temporary liquidity needs as a consequence of the acquisition of the MásMóvil Group. This loan matures on 17 September 2021.

Subsequently, on 28 December 2020, the loan by Euro 28,212 thousand was capitalized by Euro 25,322 thousand and an additional payment to the lenders of Euro 0,357 thousand was made, leaving an outstanding amount of Euro 23,372 thousand at 31 December 2020.

Nevertheless, on 24 May 2021 Onchena, S.L. and Key Wolf, S.L. have signed a formal commitment to not request the amount related to the loans amounting to Euro 10,420 thousand and Euro 10,420 thousand, respectively (totalling Euro 20,840 thousand) until 30 September 2022 (Note 2 d)).

e) Other information on payables

Details of bank borrowings secured by mortgages (note 6) and their balances at 31 December 2020 are as follows:

Thousand Euro	Guarantee	**31/12/2020**
Banco Popular Español, S.A.	Mortgage	25
Cajas Rurales Unidas, Sociedad Cooperativa de Crédito	Mortgage	22
Banco de Sabadell, S.A.	Mortgage	36
		83

These loans accrue interest at rates between 3% and 4.5%.

15. Provisions

Details of provisions at 31 December 2020 are as follows:

	31/12/2020	
Thousand Euro	Non-current	Current
Provision for unfavourable contracts	32,681	4,627
Provision for commercial transactions (note 18)	3,056	7,591
Dismantling of sites provision	7,817	-
Provision for employee benefits	-	10,801
Provisions for other liabilities	2,982	303
	46,536	**23,322**

Movements in provisions are as follows:

Thousand Euro	Provision for unfavourable contracts	Provision for commercial transactions	Dismantling of sites provision	Provision for employee benefits	Provisions for other liabilities	Total
Balance at 4 March 2020	-	-	-	-	-	-
Additions for business combinations (note 4)	47,681	11,010	8,346	10,696	1,877	79,610
Charge for the period	-	346	112	688	1,510	2,656
Applications	(10,373)	-	(192)	-	(102)	(10,667)
Reversals	-	(709)	(449)	(583)	-	(1,741)
Balance at 31 December 2020	**37,308**	**10,647**	**7,817**	**10,801**	**3,285**	**69,858**

Provision for unfavourable contracts

At 31 December 2020, this item includes a provision of Euro 36,757 thousand relating to the agreement of the Group company Xfera Móviles, S.A.U. for the provision of telecommunications services, the price of which is considered to be above market price. This provision is applied over the term of the agreement, which expires in 2030. Euro 10,373 thousand was taken to income in 2020.

Provision for commercial transactions

Xfera Móviles S.A.U. offers its customers subscription services providing access to a terminal financing model, primarily through bank borrowings, for a term of 24 months, plus a final payment ("Cuota 25"). At the maturity date of the financing contract, the customer has the option of paying the final instalment or selling the terminal to the Group for the amount of the "Cuota 25". The Group estimates a provision for to cover the possible risks deriving from default on the financing and terminal purchases, taking into consideration the market value of the terminal if acquired from the customer.

Provision for dismantling of sites

The dismantling of sites provision reflects the estimated cost of decommissioning, removing or restoring the sites of telecommunication infrastructures. It is recognised as an increase in the value of the assets in the amount of Euro 7,817 thousand and is calculated using the estimated unit cost of decommissioning and the hypothetical contract completion date based on the past experience.

At least at year end, the Group reviews its estimates and updates them when necessary to record the provision at its estimated value.

Provision for employee benefits

The provision for obligations to personnel mainly includes Euro 10,000 thousand corresponding to the pending payment amount related to the provision for the share revaluation rights plan that MásMóvil Group maintained with its personnel. This plan expired on 1 September 2020 and the outstanding amount of the obligation was fully paid at the date of issuance of this Consolidated Financial Statements.

This provision also includes an estimate of severance and indemnity costs that have yet to be paid.

Provisions for other liabilities

In 2020 the Group accrued a provision totalling Euro 1,510 thousand for the estimated risk of litigation or claims in progress.

16. Government grants

Movements in non-refundable government grants are as follows:

Thousand Euro	**31/12/2020**
Balance at 4 March 2020	-
Grants received during the year	4,177
Grants released to income (note 22 (e))	(626)
Balance at 31 December	**3,551**

Grants extended to the Group primarily comprise capital grants to finance development expenditure and the roll-out of the fibre-optic network.

17. Trade and other payables

Details of "Trade and other payables" are as follows:

Thousand Euro	**31/12/2020**
Trade payables	720,767
Public authorities, other taxes	76,397
Accrued wages and salaries	7,902
Customer advances	8,978
Other payables	23,444
	837,488

The Group's exposure to foreign currency and liquidity risk in relation to trade and other payables is described in note 18.

18. Financial risk management and fair value

General

The Group is exposed to the following risks related to the use of financial instruments:

- credit risk.
- liquidity risk.
- market risk.

This note contains information on the Group's exposure to each of the risks indicated, its objectives, policies and procedures for measuring and managing each risk, and the way in which the Group manages capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are designed to identify and analyse the risks undertaken by the Group, define suitable risk limits and controls, and control risks and the observance of limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities. The Group, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group’s overall risk management programme focuses on minimising uncertainty in financial markets and the potential adverse effects on the Group’s financial performance. The Group employs derivatives to hedge certain risks.

a) Credit risk

Credit risk is the risk of financial loss to which the Group is exposed if a client or counterparty of a financial instrument fails to comply with their contractual obligations and mainly stems from trade receivables and investment instruments.

Exposure to credit risk

The maximum exposure to credit risk for loans and other receivables in the consolidated statement of financial position at the reporting date is as follows:

Thousand Euro	**31/12/2020**
Loans to companies (note 10)	20,130
Deposits and guarantees (note 10)	3,621
Other financial assets (note 10)	3,859
Trade and other receivables (note 12)	263,871
	291,481

Trade and other receivables

The Group has no significant concentrations of credit risk and maintains policies to ensure that sales are made to customers with an appropriate credit history.

When the Group offers its own financing facilities for the purchase of terminals, the accounts receivable from customers are recognised under “Trade and other receivables” for the short-term part and in “Other non-current financial assets” for the long-term portion (see note 10).

The Group has policies to limit exposure to risk in respect of trade receivables and financial institutions, exposure to risk affecting the recovery of receivables being managed as part of ordinary activities. The Group ensures that services are rendered to customers with an adequate credit history.

The Group has formal procedures to identify the impairment of trade receivables. Through these procedures the Group estimates, based on the experience of customer insolvencies from the past 12 months, the percentages of trade receivables default and registers the impairment credit expected at the commencement. The main components of impairment are individually significant exposures and a collective loss component for groups of similar assets in respect of losses incurred but not yet identified.

Trade receivables are initially measured at fair value, which coincides with the face value, less the expected loss over the projected life of the receivable.

There are no significant overdue receivables for which a loss allowance was not recorded, and trade receivables from business combinations have been recognised at market value and thus net of their related loss allowances.

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled in cash or other financial assets. The Group's approach to managing liquidity is to ensure, whenever possible, that it always has sufficient liquidity to settle its obligations as they fall due, in both normal and difficult conditions, so as to avoid incurring unacceptable losses or risking its reputation.

The Group applies a prudent policy to cover its liquidity risks, based on having sufficient cash and marketable securities as well as sufficient financing through credit facilities to settle market positions. Given the dynamic nature of its underlying business, the Group's Finance Department aims to be flexible with regards to financing through drawdowns on contracted credit facilities.

At 31 December 2020, the Group's available cash resources amount to Euro 81,249 thousand. Net cash generated from operating activities during the period between 4 March and 31 December 2020 was positive in the amount of Euro 80,374 thousand.

Set out below are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Thousand Euro	31/12/2020							
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**More than 1 and less than 2 years**	**More than 2 and less than 3 years**	**More than 3 and less than 4 years**	**More than 4 and less than 5 years**	**More than 5 years**
Loans and bank borrowings	2,105,874	2,217,741	7,864	4,698	1,163	238	3,778	2,200,000
Loans from related parties	200,935	200,935	200,935	-	-	-	-	-
Other payables	387,625	387,623	307,846	64,280	13,229	1,227	336	705
Lease liabilities	191,094	194,094	33,812	31,993	29,389	29,394	20,573	48,933
Other financial liabilities	1,108,126	1,110,384	295,750	5634	9,000	-	-	800,000
Trade and other payables	752,113	752,113	752,113	-	-	-	-	-
	4,745,767	4,859,890	1,598,320	106,605	52,781	30,859	24,687	3,049,638

c) Market risk

Market risk is the risk that changes in market prices, for example in exchange rates or interest rates, could affect the Group's income or the value of financial instruments held. The purpose of market risk management is to manage and keep exposures to this risk within reasonable parameters while at the same time optimising profitability.

Interest rate risk

Interest rate risk affecting the Group mainly derives from loans with institutional investors and some credit institutions. These loans accrue interest at variable rates (see note 14), exposing the Group to interest rate risk on future cash flows.

An increase in the benchmark rates, in this case the Euribor, could increase the cost of the Group's funding and thus reduce funds generated from the Group's business that may be used for other purposes. The Group currently has a policy of low leverage at variable rates.

To mitigate this risk, the Group has contracted hedging instruments (see note 14 (a)).

Variable- and fixed-interest rate financial assets and liabilities are as follows:

Thousand Euro	**Valor en Libros 31/12/2020**
Fixed-interest debt	
Financial Assets	20,130
Financial liabilities	(983,000)
	(962,870)
Variable-interests debt	
Financial liabilities	(2,312,309)
	(2,312,309)

Sensitivity analysis

At 31 December 2020, a 100 basis points ("bps") increase in interest rates, with other variables remaining constant, would have reduced the post-tax result by Euro 8,896 thousand mainly due to increased borrowing costs on variable-rate loans.

d) Capital management

The Group manages its capital structure and adjusts it based on changes in economic conditions. In order to maintain and adjust the capital structure, the Directors assess and where appropriate, adopt the most appropriate policies in relation to dividend payments, investment self-financing, term loans, etc.

The Group's capital management is focused on safeguarding its capacity to continue to operate as a going concern, and ensure its sustained growth, so as to provide shareholders returns and at the same time assure an optimal capital structure to cut cost of capital, the current focus being to fulfil the debt ratios stipulated in the financing operations mentioned in note 14 (a).

e) Financial instruments and fair value

The carrying amounts and fair values of financial instruments classified by category are presented below, including the fair value hierarchy levels. If the fair values of financial assets and liabilities not measured at fair value are not included it is because the Group believes that they approximate to their carrying amounts, due largely to the short-term maturity dates of those instruments.

2020					**Fair value**		
Thousand Euro	**Financial assets at fair value through OCI**	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial Assets measured at faired value							
Equity instruments	1,718	-	-	1,718	-	-	1,718
	1,718	**-**	**-**	**1,718**	**-**	**-**	**1,718**
Financial assets not measured at fair value							
Deposits and guarantees	-	3,621	-	3,621	-	-	-
Trade and other receivables	-	263,870	-	263,870	-	-	-
Cash and cash equivalents	-	81,385	-	81,385	-	-	-
Other financial assets	-	25,707	-	25,707	-	-	-
	-	**374,583**	**-**	**374,583**	**-**	**-**	**-**
Financial liabilities not measured at fair value							
Loans and bank borrowings	-	-	2,105,874	2,105,874	-	-	-
Loans from related parties			200,935	200,935	-	-	-
Lease liabilities	-	-	191,094	191,094	-	-	-
Other financial liabilities	-	-	1,108,126	1,108,126	983,000	-	-
Other payables	-	-	387,625	387,625	-	-	-
Trade and other payables	-	-	752,113	752,113	-	-	-
	-	**-**	**4,745,767**	**4,745,767**	**983,000**	**-**	**-**

There were no transfers of assets and liabilities between levels during the period ended 31 December 2020.

The financial income and expense resulting from financial assets and liabilities are as follows:

Thousand Euro	**31/12/2020**
Financial income	
Other financial income	1,955
	1,955

Thousand Euro	**31/12/2020**
Financial expenses	
Borrowing costs	54,002
Debentures and other financial liabilities	8,199
Lease liabilities costs	2,371
Other financial expenses	4,774
	69,346

Net profit/(loss) by financial liability category corresponds to financial expenses applying the amortised cost method.

19. Leases

Leases as lessor

The Group has operating lease agreements in relation to the sharing of telecommunications infrastructure under agreements signed with other operators. Lease income in 2020 amounted to Euro 827 thousand (see note 22 (e)).

The Group has the following minimum lease payments receivable in accordance with the contracts currently in force, without taking into consideration the effects of common expenses, future increases for inflation (Consumer Price Index or CPI), or future reviews of contractually agreed rent:

Thousand Euro	**31/12/2020**
Up to one year	2,238
Between 1 and 5 years	4,244
More than 5 years	68
	6,550

20. Other non-current liabilities

The Group has entered into long-term strategic agreements with various operators for wholesale access to FTTH infrastructures, where each of the parties deploys a proprietary network and assigns its use to the other party, maintaining the ownership of the asset (mutualisation). This caption includes the right of use of the Group's FTTH infrastructures by an operator, which is taken to the profit or loss over 20 years, based on the initial term of the agreement without extensions, which matches the approach adopted to amortise the right of use held by the Group (see note 5).

In 2015, the subsidiary MásMóvil Broadband, S.A.U. acquired a fibre-optic network from Jazz Telecom, S.A.U. Both companies simultaneously concluded an irrevocable assignment agreement for the use of 40% of that network by Jazz Telecom, S.A.U. (see note 5), which is being taken to the consolidated statement of profit or loss over the 35-year period of the agreement.

The relevant movements in other non-current liabilities are as follows:

Thousand Euro	**31/12/2020**
Opening balance	-
Additions	179,051
Transfer to current	(3,364)
Closing blance	**175,687**

The explanatory notes form an integral part of the consolidated financial statements.

21. Income tax

a) Reconciliation of income tax

Details of income tax are as follows:

Thousand Euro	**31/12/2020**
Current income tax	
Current period	(22,727)
Others	(227)
	(22,954)
Deferred tax balances	
Deferred taxes originated and reversed during the year	8,814
Tax credits recognised in previous years	42,709
	51,523
	28,569

The reconciliation of the theoretical tax and the tax income for the period, is as follows:

Thousand Euro	**31/12/2020**
Loss for the year, before income tax	(94,751)
Tax calculated at the corresponding rate	23,688
Non-deductible expenses	(2,852)
Fines and penalties	(609)
Non deductible goodwill	(475)
Deferred tax movements	3,293
Other adjustments	5,524
Total income tax	28,569

At the year-end, the Group tests for impairment all capitalized and uncapitalized tax credits, at the Group and subsidiary level.

During the period ended 31 December 2020, the Group has recorded as an asset an amount of Euro 42,709 thousand in Deferred tax on tax losses. The tax credits recoverability analysis has been based on a 10-year projection of the 2021-2025 Business Plan, it being considered probable that Group will obtain taxable profits which will enable it to offset the capitalised tax losses within a period of no more than ten years counted as from the year end date, in light of the analysis made of its capacity to generate taxable income, given its economic potential and profitability. The key assumptions considered in the analysis are as follows:

- The figures in the 2021-2025 Business Plan have been projected over 10 years, with the profit before taxes for 2025 through to 2030 remaining constant.
- The impact of known taxable timing differences, both present and future, has been estimated.

The Group has carried out a sensitivity analysis of the key assumptions used, growth rates and EBITDA, concluding as a result that the tax credits capitalized are recoverable.

b) Deferred tax assets and liabilities recognised

Deferred tax assets and liabilities are attributable to the following:

	31/12/2020		
Thousand Euro	Assets	Liabilities	Net
Intangible assets	-	(371,516)	(371,516)
Property, plant and equipment	6,636	-	6,636
Right of use	803	687	1,490
Provisions	30,966	65,982	96,948
Tax credits for tax-loss carryforwards	4,553	-	4,553
Tax deductions	262,699	-	262,699
Other	4,440	(13,130)	(8,690)
Net assets and liabilities	**310,097**	**(317,977)**	**(7,880)**

Movements in deferred tax assets and liabilities during 2020 are as follows:

	31/12/2020			
Thousand Euro	At 4 March 2020	Business combinations (note 4.1)	Recognised in profit/(loss)	At 31 December 2020
Intangible assets	-	(383,079)	11,563	(371,516)
Property, plant and equipment	-	6,554	82	6,636
Right of use	-	1,399	91	1,490
Provisions	-	100,433	(3,485)	96,948
Tax credits for tax-loss carryforwards	-	4,238	315	4,553
Tax deductions	-	219,990	42,709	262,699
Other	-	(8,938)	248	(8,690)
Net assets and liabilities	-	(59,403)	51,523	(7,880)

For the analysis of the recoverability of the tax credits for tax-loss carry-forwards recognised, the capacity of producing positive tax bases has been measured for each Group company individually, considering that the tax bases which gave rise to such tax credits were generated primarily before being part of the Tax Group. The projections used to examine the recoverability of capitalised tax credits were based on a period of 10 years.

Details of deferred tax assets and liabilities that are expected to be realised or reversed after more than 12 months are as follows:

Thousand Euro	31/12/2020
Deferred tax assets related to temporary differences	47,398
Credits for tax loss carryforward	262,699
Total assets	310,097
Deferred tax liabilities	(317,977)
Net	(7,880)

The Group has the following unused deductions at 31 December 2020 available for use within the periods indicated:

Thousand Euro	**Year**	**2020**
Deductions generated prior to consolidation	2006	488
	2007	49
	2008	16
	2009	87
	2010	69
	2011	68
	2012	99
	2013	217
	2014	231
	2015	103
	2016	199
	2017	220
Deductions generated on consolidation	2016	-
	2017	-
Total		**1,846**

The Group must keep the assets in respect of which tax relief has been obtained on investments for a five-year period.

The Group has the following tax-loss carryforwards ("BINs" in its Spanish abbreviation) at 31 December 2020:

		Thousand Euro			
		2020			
Year generated		**Generated base**	**Tax rate**	**Tax-losses carryforwards**	**Unrecognised tax-losses**
BINs generated prior to consolidation	2002	122,656	25%	30,664	-
	2003	74,592	25%	18,648	-
	2004	59,234	25%	14,809	-
	2005	71,877	25%	17,969	-
	2006	385,312	25%	96,328	-
	2007	81,570	25%	20,393	-
	2008	141,401	25%	2,368	32,982
	2009	176,998	25%	1,679	42,571
	2010	98,623	25%	635	24,020
	2011	33,391	25%	906	7,442
	2012	5,748	25%	585	852
	2013	16,238	25%	162	3,897
	2014	5,749	25%	1,437	-
	2015	6,041	25%	1,510	-
	2016	29,964	25%	1,711	5,787
	2017	6,914	25%	-	1,729
	2020 (estimated)	64,343		16,086	-
BINs generated on consolidation	2016	5,241	25%	-	1,310
	2017	38,642	25%	9,660	-
	2020 (estimated	109,250	25%	27,312	-

In 2015 the tax authorities undertook a VAT inspection of the subsidiary Xtra Telecom, S.A.U. (Xtra), as the successor of Xtra Telecom, S.L. (a company acquired by the Másmóvil Group on 1 August 2014), in relation to a part of its wholesale business from May 2011 to December 2014. The period subject to inspection is prior to the acquisition of the Xtra business by the

Group and, any contingencies would be covered by the representations and warranties agreed with the former owner of Xtra and included in the sale and purchase agreement. The Group considers that the inspection should not affect the current Directors or Management of the Group, or the Parent Company or the present consolidated annual accounts.

On 21 February 2018, the Tax Agency served notice of the commencement of VAT inspection proceedings to be carried out in the subsidiaries Xtra Telecom, S.A.U. and Quantum Telecom, S.A. (which was merged with Xtra Telecom, S.A.U. in December 2015), in relation to the wholesale business for the years 2015 and 2016. On 12 March 2019, Xtra, acting on its own behalf and in the name of Quantum Telecom, S.A. signed the assessments on a contested basis, and on 11 April 2019, presented submissions to the Tax and Customs Control Unit of the Large Taxpayers Central Office. On 16 September 2019, the Tax Administration notified Assessment Decisions and Penalty Proceeding Decisions to both companies. It should be noted that the Tax Administration considered unlawful the offsetting of the amounts reported in the returns for January and February of 2015, totalling Euro 367 thousand, because they formed part of the balance declared for offset as at 31 December 2014; such amounts were disallowed during the inspection in respect of the period 2011-2014 and the case file was referred to the Public Prosecution Service. On 9 February 2021, the Tax Agency served notice of the assessment proposal and commencement of the submissions phase given that no complaint had been brought by the prosecutor's office, as a result of which the inspection proceedings in respect of that period were resumed. Xtra presented a submissions document to the Tax and Customs Control Unit of the Large Taxpayers Central Office on 2 March 2021.

In accordance with prevailing Spanish legislation, taxes cannot be considered definitive until they have been inspected by the taxation authorities or the four-year limitation period has lapsed.

At 31 December 2020, the Parent Company and its subsidiaries in Spain are open to inspection for all the main taxes to which they have been subject since its constitution or 1 January 2017 (2016 for corporate income tax).

In view of the different treatment afforded by tax legislation to certain transactions, additional tax liabilities could arise in the event of an inspection. In any event, the Parent Company's Directors do not consider that any such liabilities would have a significant impact on these consolidated annual accounts taken as a whole.

22. Revenue and expenses

a) Revenue

Revenues break down as follows:

Thousand Euro	**31/12/2020**
Business and wholesale	98,079
Residential	422,273
	520,352

The Group is mainly engaged in providing landline and mobile telephone services, and broadband services.

The Group distinguishes the following types of customers:

The explanatory notes form an integral part of the consolidated financial statements.

- Residential: customers in this group are offered landline, mobile and broadband services.

- Business: these customers are offered landline, mobile and broadband services, as well as other value-added services such as data centres, cloud, virtual PBX, email and video-conferencing.

- Wholesale: voice services are sold to other industry operators, without offering access since the customers have their own network.

b) Supplies

An analysis is as follows:

Thousand Euro	**31/12/2020**
Consumption of goods purchased for resale	46,453
Other supplies	128,682
Subcontracted work	28,732
Impairment of goods purchased for resale	292
	204,159

Other supplies include, mainly, roaming, interconnection services, bistream and other added value services.

c) Employee benefits expenses

Employee remuneration expenses break down as follows:

Thousand Euro	**31/12/2020**
Wages, salaries and other welfare expenses	17,023
Social Security contributions	4,550
	21,573

The Group's average headcount during the period 2020 by category and considering the acquisition date of MásMóvil Group is as follows:

	31/12/2020
Board directors	0
Management	23
Technical personnel	74
Administrative personnel	26
Other employees	167
	290

At year-end 2020, the distribution by gender of Group personnel and directors of the Company was as follows:

	31/12/2020	
	Men	**Women**
Board directors	6	0
Management	69	14
Technical personnel	214	58
Administrative personnel	54	44
Other employees	371	237
	714	**353**

The distribution of employees with a disability rating of 33% or higher (or equivalent local rating) is as follows:

	31/12/2020
Board directors	1
Administrative personnel	1
Other	1
	3

Directors' remuneration paid in respect of qualifying services during the period from 4th March 2020 (incorporation date) to 31st December 2020 is Euro 300 thousand (JVCo Directors are not remunerated in respect of qualifying services, so all the amount is related to Directors of subsidiaries (specially Másmóvil Group, since business combination date)). During the mentioned period there are no gains made by directors on the exercise of share options as well as there are no money or other assets paid to or receivable by directors under long-term incentive schemes in respect of qualifying services. The total amount that is attributable to the highest paid director in respect of qualifying services is Euro 92 thousand.

d) Operating expenses

Details of other operating expenses are as follows:

Thousand Euro	**31/12/2020**
Infrastructure services	7,624
Cannon	12,479
Repairs and maintenance	19,403
Independent professional services	128,812
Transport	605
Insurance fees	310
Banking and similar services fees	5,068
Advertising, publicity and public relations	14,737
Supplies	558
Other services	3,092
Levies and other Taxes	2,294
Losses, impairment and changes in provisions (note 12)	9,146
	204,128

Infrastructure services primarily include the rendering of telecommunications infrastructure network services, cost related to network services, transmission-access services and leases with a term of less than one year or for a low value.

In 2020, independent professional services included expenses arising from the integration of the companies acquired (see note 4.1).

e) Other operating income

Details of other operating income are as follows:

Thousand Euro	**31/12/2020**
Excess of provision (note 15)	709
Work carried-out by the Group for its assets	5,199
Revenue from leases	2,398
Other income	10,904
Grants transferred to profit and loss	626
	19,836

f) Impairment and result from disposals of assets

Details of impairment and result from disposal of assets are as follows:

Thousand Euro	**31/12/2020**
Impairment of non-current assets (note 6)	12,271
	12,271

23. Related parties

a) Parent entities

The group is controlled by the following entity:

			Ownership interest
Name	Type	Place of incorporation	2020
Lorca Aggregator Limited	Ultimate parent entity and controlling party	Jersey	100%

The parent undertaking of the smallest and largest group to consolidate these financial statements is Lorca Aggregator Limited. Copies of the Lorca Aggregator Limited Consolidated Financial Statements can be obtained from the Companies House of Jersey.

b) Related-party balances

Details of balances with related parties at 31 December 2020 are as follows:

Thousand Euro	31/12/2020 Group companies	Other related parties	**Total**
Current assets			
Loans to companies	-	26,939	26,939
Total assets	**-**	**26,939**	**26,939**
Current liabilities			
Loans and borrowings	(200,935)	-	(200,935)
Total liabilities	(200,935)	-	(200,935)
Total liabilities and other equity instruments	**(200,935)**	**-**	**(200,935)**

On 17 September 2020, the Parent Company Lorca JVCO limited, entered into a loan agreement with Lorca Aggregator Limited (Ultimate parent) for a total amount of Euro 421,693 thousand, in order to grant short-term financing to meet temporary liquidity needs as a result of the acquisition of the MásMóvil Group.

Subsequently, on 28 December 2020, this debt was capitalised in the amount of Euro 217,697 thousand and an additional payment to the lender of Euro 3,061 thousand, leaving an outstanding amount of Euro 200,935 thousand at 31 December 2020. This loan matures on 17 September 2021. Nevertheless, on 24 May 2021 Lorca Aggregator Limited has signed a formal commitment to not request until 30 September 2022 Euro 179,160 thousand of this Euro 200,935 thousand amount (Note 2 d)).

Short-term loans granted to Group companies relate to payables in cash-pooling accounts with Group companies bearing interest of 1.1%. Loans granted to other related parties reflect the loan granted to the company Cabonitel (Note 10).

c) Related-party transactions

Details of transactions with related parties during 2020 are as follows:

Thousand Euro	31/12/2020 Directors and senior management of the Parent Company	Related parties	Total
Expenses			
Salaries and allowances	677	-	677
Professional services	-	903	903
Total expenses	**677**	**903**	**1,580**
Income			
Financial income	-	655	655
Total income	**-**	**655**	**655**

d) Information on the Group's key personnel management

During 2020, the Company's directors received remuneration and allowances totaling Euro 92 thousand for holding office. In 2020, the remuneration accrued for senior management personnel totaled Euro 585 thousand. It should be noted that one director is on the Company's payroll.

No advances or loans have been furnished to the directors and no guarantees have been given on their behalf. The Group has made no pension or life insurance commitments to former or current Board of directors of the Parent Company.

e) Transactions other than ordinary business or on non-market terms carried out by the Parent Company's directors and senior management personnel

Besides the transactions with related parties disclosed above, in 2020 the Company's directors and senior managers did not affect any transactions outside the ordinary
course of business or on non-market terms with the Company or with any other Group company.

f) Conflicts of interest concerning the parent company's directors

The Company's directors and their related parties have had no conflicts of interest requiring disclosure in accordance with Article 229 of the Consolidated Text of the Spanish Companies Act.

24. Guarantees and contingencies

In addition to the guarantees referred to in note 14, at 31 December 2020, the Group has given several guarantees to secure the fulfilment of the obligations deriving from the licence B2 granted, legal appeals and supplier contracts, as analysed below:

- Guarantees for the grant of the B2 licence amounting to Euro 39,900 thousand the administrative contracts granting B2 licences for the Group's subsidiary Xfera Móviles, S.A.U., to render 3G mobile telephone services (UMTS) include investment, roll-out, technical, commercial, job creation, industry support and business plan commitments, compliance with which is secured by counter-guarantees from the Group. The amount reflects the guarantees pending release for future commitments associated with the 2100 MHz frequencies.

- The Group also has guarantees in place to secure commitments amounting to Euro 134,191 thousand, most notably in relation to corporate operations, the lease of premises, business agreements, a number of appeals lodged against settlements by local corporations and other public administrations and fro the suspension of the settlement of the fee for reserving the radio public domain for the 3.5 GHz band.

The Group's subsidiary Xfera Móviles, S.A.U. offers its customers financing, using its own funds or under agreements with financial institutions, for the purchase of terminals as part of a subscription to telecommunications services. In the case of financing through financial institutions, Xfera Móviles, S.A.U. extends guarantees on behalf of its customers to cover potential defaults on the loan repayments, which is why it recognises a provision for commercial transactions (see note 15). Financing through financial institutions amounted to Euro 142 million at 31 December 2020.

The directors of the Company do not consider that any risks exist in relation to the situations covered by the guarantees provided. Furthermore, the Company's directors consider there are no other potential significant lawsuits which could entail a liability for the Group.

On 31 January 2018, notification was received of the judgement issued on the appeal against the ruling of Madrid First-Instance Court 52 of 8 March 2017 (PO 1352/2014). In the judgement, the Madrid Provincial Court: (i) rejects the claim filed by Pepemobile, S.L.U. against Xfera Móviles, S.A.U. and exonerates the latter from the pleas lodged against it; and (ii) partially upholds the counterclaim filed by Xfera Móviles, S.A.U. against Pepemobile, S.L.U. and Pepeworld, S.L.U., ordering Pepemobile, S.L.U. to pay damages to Xfera Móviles, S.A.U. in the amount of Euro 7 million for breach of contract and upholding the ruling whereby Pepemobile, S.L.U. and Pepeworld, S.L.U. must refund the Euro 3.5 million paid previously in respect of the purchase option, plus interest from the date the claim was filed to full settlement of the debt. On 4 November 2020, the Civil Chamber of the Supreme Court has issued a ruling confirming the provisions of the Provincial Court of Madrid, acquitting Xfera Móviles S.A.U. and condemning Pepemobile, S.L.U. and Pepeworld, S.L.U. to indemnify Xfera Móviles S.A.U. upon payment of the stipulated amounts of Euro 7 million and Euro 3.5 million, respectively (see note 10).

25. Environmental information

In order to provide services to its customers, the Group uses a network of base stations that emit electromagnetic waves. These emissions are regulated in Spain by Royal Decree 1066/2001 of 28 September approving the regulation that establishes the conditions for protecting the public radio domain, restrictions on radio wave emissions and healthcare measures to protect from radio wave emissions.

The Group conducts all its activities in strict compliance with this regulation and subsequent amendments, in accordance with European recommendations that ensure citizens' health is protected.

26. Reconciliation of financial debt

The reconciliation of financial debt for the year ended 31 December 2020 is as follows:

Thousand Euro	**At 4 March 2020**	**Cash flows**	**Payment of interests**	**Interests accrued in profit and loss**	**Debt from business combinations**	**Other**	**At 31 December 2020**
Financial liabilities with financial institutions	-	2,058,239	(23,138)	58,847	27,307	(15,381)	2,105,874
Loans from related parties	-	200,235	-	-	-	-	200,235
Other payables	-	(502,386)	-	-	304,789	580,222	382,625
Lease liabilities	-	(10,210)	(1,111)	2,232	191,377	8,806	191,094
Other fnancial liabilities	-	815,210	-	8,200	234,458	50,258	1,108,126
Total Debt	**-**	**2,561,088**	**(24,249)**	**69,279**	**757,931**	**623,905**	**3,987,954**

27. Non-current assets held for sale

At 31 December 2020, the Group has reclassified to assets held for sale a fibre network which at that date it was highly likely to be sold to an InfraCo, in which the Group plans to have a non-controlling interest. This classification has been made by virtue of the sales plan committed to in the resolutions adopted by the Board of Directors of the subsidiary Másmóvil Ibercom, S.A. on 30 October 2020 and the agreement entered into on 2 November 2020 with the InfraFund, with which the transaction is to be completed (notes 6 and 29).

The disposal group is made up of assets with a net book value of Euro 48,338 thousand, corresponding to 616 thousand of BUs that mainly include "network equipment" for a net book value of Euro 47,292 thousand for the fiber network (see note 6) and "Long-term accruals" in the amount of Euro 1,046 thousand for the set-up fees incurred when this network was registered. The fair value of these assets less expected costs to sell exceeds their book value.

28. Audit fees

The fees for services provided by the audit firm KPMG LLP for the audit of the Group's annual accounts for the financial year ended 31 December 2020, irrespective of the invoice dates, are as follows:

Thousand Euro	**31/12/2020**
Audit services of the Company	170
Audit services of the subsidiaries	782
Other assurance services	201
Other services	528
	1,681

The amounts referred to above include the total fees for services rendered in 2020, irrespective of the invoice date.

Other assurance services relate mainly to limited reviews of the Group's interim consolidated financial statements for the first semester of 2020 and agreed-upon procedures related to government grants provided by KPMG Auditores, S.L. (Spain) to subsidiaries of Lorca JVCo Limited.

Other services provided by KPMG Auditores, S.L. relate to the issuance of the comfort letter for the companies controlled by Lorca JVCo Limited.

On the other hand, other entities affiliated with KPMG International have billed the Group during the years ended December 31, 2020, fees and expenses for professional services according to the following detail:

Thousand Euro	**31/12/2020**
Other services	3
	3

29. Events after the reporting date

- On 27 January 2021, the Group has signed an agreement with another relevant operator in the Spanish market by which the Group is granted an irrevocable right to use the FTTH network associated with certain BUs of said operator. The total price of the right of use is Euro 14,368 thousand.

- The Group has signed an agreement with Gigas Hosting, S.A. (Gigas), effective 1 January 2021, in which the Group commits to selling a portfolio of 4,688 business telecommunications customers, mainly medium and large companies and hosting services for Euros 9,000 thousand. Eighty percent of the total transaction price was paid in cash after it was authorised by the shareholders of Gigas on 1 February 2021, while the remaining 20%, also in cash, will be paid twelve months after the transaction date.

- Shareholders at an Extraordinary Meeting to Smart IoT Labs, S.L. held on 1 February 2021 approved a share capital increase totalling Euros 2,000 thousand that was fully subscribed by the Group through the subsidiary Xfera Móviles, S.A.U. Once payment was made for the share capital increase the Group held 50.01% of the share capital of Smart IoT Labs, S.L., a Spanish company that develops intelligent device sensors.

- On 8 February 2021, the Group, through its subsidiary Xfera Móviles, S.A.U., acquired 4.26% of the shares of the electricity supply company Energía Colectiva, S.L., which operates under the Lucera trademark, for an amount of Euro 1,000 thousand On the same date, Xfera Móviles, S.A.U. subscribed a share capital increase of Euro 3,000 thousand in said company, as a result of which it has come to hold 54.27% of its capital. These transactions have given the Group the control of the company.

- The Board of Directors of Lorca JVCo Limited approved the transaction mentioned in note 27 on 29 January 2021 and the Group and the InfraFund signed the agreement on 5 February 2021, whereby they will jointly set up a new infrastructure company, the “InfraCo” to which the Group plans to sell a fibre network. On 27 April 2021, a communication was received from the Ministry of the Presidency of the Government of Spain approving the operation. On 30 April 2021 the Group has sold 797 thousand BUs of which 181 thousand BUs were deployed during 2021 (see notes 2 (d) y (27)).

  The Group will provide to the InfraCo operating, maintenance, supply and transmission services. The transaction will therefore not have an impact on the company’s own FTTH network footprint or on the Group’s customer base due to the fact that the existing customers on the sold network are maintained through the simultaneous signing of a 25-year bitstream services contract.

- On 29 March 2021, the Group used Kaixo Telecom, S.A.U. (Kaixo Telecom or the “offerer”), a company incorporated on 19 March 2021 (wholly owned by Másmóvil Ibercom, S.A.U.), to make a preliminary announcement to the CNMV to request a voluntary tender offer for all of the shares of Euskaltel, S.A. The decision to issue a voluntary public offering to acquire shares was approved by the Board of Directors of Másmóvil Ibercom, S.A.U. on 26 March 2021.

  The company is offering Euros 11.17 per share to the owners of the shares of Euskaltel, S.A. (“offer price”). As a result, the total maximum amount to be paid by the offering company is Euro 1,995,469 thousand. The offering company has the necessary resources, including the bank borrowings already secured at the date of this announcement, to cover the entire amount of the offer. The consideration will be paid in cash.

The effectiveness of the offer is subject to the acceptance of at least 75% of the share capital of Euskaltel, S.A. and obtaining the relevant authorisation. There is also an irrevocable sale commitment with the selling shareholders that represent 52.32% of the share capital of Euskaltel, S.A.

The offerer has stated to the Board of Directors of Euskaltel, S.A. its commitment to maintain the strategic and business plan for Euskaltel, S.A., and its employees and executive team.

On 31 March 2021, the offeror has submitted a request for authorisation of the OPA, confirming the information and characteristics of the same, contained in the previous announcement mentioned above, and has submitted to the CNMV, as a guarantee of payment of the consideration offered, the supporting documentation of the constitution of five guarantees issued on 30 March 2021 for a total amount of Euro 1,995,469 thousand.

On 20 April 2021 the CNMV agreed to process the request for authorisation filed by Kaixo Telecom on 31 March 2021 in relation to the OPA for 100% of the shares of Euskaltel, S.A.

- As part of the promissory note program that the Group has registered on the MARF through the subsidiary MásMóvil Ibercom, S.A. (see note 14 (d)), the Group has drawn down Euro 28,100 thousand during March and April 2021 and, therefore, at the date of preparation of these consolidated annual accounts the total amount drawn down amounts to Euro 211,100 thousand.

- On 14 April 2021 the Group, through Spotting Brand Technologies, S.L.U., which belongs to the Ahímas Group, acquired a 50% interest in the share capital of Ahímas Comunitelia, S.L for Euro 2,100 thousand, whose objects consist of providing all kinds of telecommunication final carrier and value-added services through wire, cable or fiber. Following this acquisition, the Group owns 100% of the acquiree's share capital (see note 2 (a)).

APPENDIX I. – Details of subsidiaries at 31 December 2020

Name	Registered office	Activity	Country	Ownership	Percentage ownership	Percentage of voting rights
Lorca Holdco Limited (UK)	1 Bartholomew Lane, London, England, EC2N 2AX	Holding company	UK	Direct	100%	100%
Lorca Telecom Bidco, S.A.U.	Avda. de Bruselas 38, Alcobendas (Madrid)	Activities and services in the field of telecommunications	Spain	Indirect	100%	100%
MásMóvil Ibercom, S.A.	Parque Empresarial Zuatzu, Edificio Easo, 2da planta (Guipúzcoa) San Sebastián	Development of activities and services in the field of telecommunications	Spain	Indirect	100%	100%
Lorca Finco Plc. (UK)	1 Bartholomew Lane, London, England, EC2N 2AX	Development of financing activities	UK	Indirect	100%	100%
Lorca Telecom Bondco, S.L.U.	Avda. de Bruselas 38, Alcobendas (Madrid)	Development of financing activities	Spain	Indirect	100%	100%
Xtra Telecom, S.A.U.	Avda. de Bruselas 38, Alcobendas (Madrid)	Activities and services in the field of telecommunications	Spain	Indirect	100%	100%
MásMóvil Broadband, S.A.U.	Avda. de Bruselas 38, Alcobendas (Madrid)	Activities and services in the field of telecommunications	Spain	Indirect	100%	100%
Embou Nuevas Tecnologías, S.L.U.	Calle Bari 33, Edificio 1, 2 planta Zaragoza	Consultancy and business advisory services in the field of telecommunications and new technologies	Spain	Indirect	100%	100%
Xfera Móviles, S.A.U.	Avda. de Bruselas 38, Alcobendas (Madrid)	Activities and services in the field of telecommunications	Spain	Indirect	100%	100%
Pepeworld, S.L.U.	Avda. de Bruselas 38, Alcobendas (Madrid)	Holding company	Spain	Indirect	100%	100%
Pepe Energy, S.L.	Avda. de Bruselas 38, Alcobendas (Madrid)	Electricity supply	Spain	Indirect	94%	94%
Pepemobile, S.L.	Avda. de Bruselas 38, Alcobendas (Madrid)	Telecommunications services; IT services; development, sale and distribution of IT programs and materials	Spain	Indirect	100%	100%
The Bymovil Spain, S.L.U.	Polígono Mies de Molladar D-9. Cartes (Cantabria)	Marketing and selling of electrical, electronic and telephone materials	Spain	Indirect	100%	100%
Spotting Developments, S.L.	Calle Ramon y Cajal 2. Las Rozas de Madrid, (Madrid)	Activities and services in the field of telecommunications	Spain	Indirect	100%	100%
Guuk Telecom, S.A.	Parque Empresarial Zuatzu, Edificio Easo, 2da planta Nº 8 (Guipúzcoa) San Sebastián	Activities and services in the field of telecommunications	Spain	Indirect	70%	70%
Lycamobile S.L.U.	Avda. de Bruselas 38, Alcobendas (Madrid)	Activities and services in the field of telecommunications	Spain	Indirect	100%	100%
Cabonitel, S.A.	Alameda dos Oceanos 21101A, Lisboa, Portugal	Activities and services in the field of telecommunications	Portugal	Indirect	50%	50%
Senior Telecomunicaciones y Servicios Avanzados S.L.	Calle María Tubau 8. Madrid	Provision and / or commercialization of telemedicine services and / or assistance and protection or remote communication services, through the use of communication and information, audiovisual, telecommunications, telematic or intereactive technologies	Spain	Indirect	92%	92%

Name	Registered office	Activity	Country	Ownership	Percentage ownership	Percentage of voting rights
Inversiones Locua, S.L.	Camino de las Ceudas, 2 bis. Las Rozas de Madrid (Madrid)	Marketing or holding of fixed or mobile network	Spain	Indirect	32%	32%
Xfera Consumer Finance Establecimiento Financiero de Crédito, S.A.	Calle Retama 3. Madrid	Personal loans and credits	Spain	Indirect	49%	49%
Medbuying Technologies Group, S.L.	Vía de las dos Castillas 33. Complejo Ática. Pozuelo de Alarcón (Madrid).	Wholesale trade in radio and electronic equipment and materials	Spain	Indirect	45%	45%
Onlycable Comunicación, S.L.	c/ Verde Hierba, 7. Mairena de Aljarafe. Sevilla.	Telecommunications services	Spain	Indirect	75%	75%
Onlycable Fibra, S.L.U.	c/ Verde Hierba, 7. Mairena de Aljarafe. Sevilla.	Telecommunications services	Spain	Indirect	100%	100%
Onlycable, S.L.U.	c/ Verde Hierba, 7. Mairena de Aljarafe. Sevilla.	Telecommunications services	Spain	Indirect	100%	100%
Wiwai Telecomunicaciones, S.L.U.	c/ Verde Hierba, 7. Mairena de Aljarafe. Sevilla.	Telecommunications services	Spain	Indirect	100%	100%
ISP Cable Networks Telecom España, S.L.U.	c/ Verde Hierba, 7. Mairena de Aljarafe. Sevilla.	Telecommunications services	Spain	Indirect	100%	100%
Spotting Brands Technologies, S.L.	Avda de Bruselas 38, Alcobendas (Madrid)	Telecommunications services	Spain	Indirect	100%	100%
Ahimas Comunitelia, S.L.	Tomelloso (Ciudad Real)	Telecommunications services	Spain	Indirect	50%	50%
Ahimas Europa S.L.	Las Rozas (Madrid)	Telecommunications services	Spain	Indirect	100%	100%
Ahimas Nash S.L.	Alcobendas (Madrid)	Telecommunications services	Spain	Indirect	100%	100%
Ahimas Next, S.L.	Aguadulce (Almería)	Telecommunications services	Spain	Indirect	50%	50%
Ahimas Suroeste, S.L.	Las Rozas (Madrid)	Telecommunications services	Spain	Indirect	50%	50%
Ahimas Vinfortel, S.L.	Las Rozas (Madrid)	Telecommunications services	Spain	Indirect	100%	100%
TV Alcantarilla Comunicaciones S.L.	Alcobendas (Madrid)	Telecommunications services	Spain	Indirect	100%	100%
Alma Telecom S.L.	Almansa (Albacete)	Telecommunications services	Spain	Indirect	100%	100%
Opencable Telecomunicaciones S.L.	Almansa (Albacete)	Telecommunications services	Spain	Indirect	18%	18%
Astronetz Poniente, S.L.	Roquetas de Mar (Almería)	Telecommunications services	Spain	Indirect	50%	50%
Econectia Uniasser, S.L.	Vila-Real (Castellón)	Telecommunications services	Spain	Indirect	50%	50%
Innovaciones Tecnológicas del Sur S.L.	Mengíbar (Jaén)	Telecommunications services	Spain	Indirect	50%	50%
Oriol Fibra S.L.	Orihuela (Alicante)	Telecommunications services	Spain	Indirect	100%	100%
Rebeloak S.L.	Algarrobo (Málaga)	Telecommunications services	Spain	Indirect	50%	50%
Red LTE MM, S.L.	Alcobendas (Madrid)	Telecommunications services	Spain	Indirect	100%	100%
Schedia Ingenieria, S.L.	Roquetas de Mar (Almería)	Telecommunications services	Spain	Indirect	50%	50%
SPF Franquicia Tarifa, S.L.	Las Rozas (Madrid)	Telecommunications services	Spain	Indirect	67%	67%
Wimax Online S.L.	Lorca (Murcia)	Telecommunications services	Spain	Indirect	100%	100%

LORCA JVCO LIMITED
REGISTERED NUMBER: 12497729
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	31 Dec 2020 €
Non-current assets		
Investment in subsidiary	**3**	1,606,918,553
Total non-current assets		**1,606,918,553**
Current assets		
Loans receivable	**4**	467,328,255
Debtors	**5**	80,000
Cash at bank and in hand	**6**	77,371
Total current assets		**467,485,626**
Total assets		**2,074,404,179**
Current liabilities		
Creditors: amounts falling due within one year	**7**	(260,000)
Loans	**8**	(224,308,348)
Total current liabilities		**(224,568,348)**
Total liabilities		**(224,568,348)**
Net assets		**1,849,835,831**
Capital and Reserves		
Share capital	**9**	18,500,383
Share premium	**9**	1,831,537,877
Retained earnings	**10**	(202,429)
Total Equity		**1,849,835,831**

The financial statements of Lorca JVCo Limited were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Meinrad Spenger
Director

LORCA JVCO LIMITED
REGISTERED NUMBER: 12497729
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 4 MARCH 2020 (INCORPORATION DATE) TO 31 DECEMBER 2020

				31 Dec 2020 **€**
	Share capital	**Share premium**	**Retained earnings**	**Total Equity**
Incorporation on 4 March 2020	2	-	-	2
Issue of share capital	18,500,381	1,831,537,877	-	1,850,038,258
Loss for the period	-	-	(202,429)	(202,429)
Balance as at 31 December 2020	**18,500,383**	**1,831,537,877**	**(202,429)**	**1,849,835,831**

1. STATEMENT OF ACCOUNTING POLICIES

1.1 Basis of preparation

The Company's principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. These financial statements have been prepared under the historical cost convention modified for the inclusion of certain financial instruments at fair value.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 10(d), 16, 111, 134 and 136 of IAS Presentation of Financial
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of IAS 8 IFRSs issued but not effective and;
  the requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting, Estimates and Errors;
- the requirements of paragraphs 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

1.2 Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are translated at the foreign exchange rate ruling at that date. Foreign exchange differences are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

1.3 Summary of significant accounting policies

a) Expenses

All items of expenses are recognised on an accrual's basis.

b) Taxation

Current income tax

Current income tax assets and liabilities are measured at the reporting date at the amount expected to be recovered from or paid to taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the date of the statement of financial position.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date, whereas the deferred tax assets will be recognised to the extent that they do not exceed the deferred tax liability.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re - assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

c) Investment in subsidiary

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiary is accounted for as financial assets at fair value through profit or loss in accordance with IFRS 9, "Financial Instruments".

d) Creditors

Creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value less transaction costs, if any. These are subsequently measured at amortised cost using the effective interest method. Given the nature of payables, however, and the short length of time involved between their origination and settlement, their amortised cost is the same as their fair value at the date

e) Trade and other receivables

Trade receivables are recorded initially at fair value and thereafter at net realisable value after deducting an allowance for impairment.

The Company makes judgements on a customer by customer basis as to its ability to collect outstanding receivables and provides an allowance for impairment based on a specific review of significant outstanding invoices.

Trade receivable balances are written off when the Company determines that it is unlikely that future remittances will be received.

f) Cash at bank and in hand

Cash and cash equivalents comprise cash balances and call deposits.

g) Financial assets

Financial assets are recognised on their trade date, when the Company becomes party to the contractual provisions of the instrument.

Classification and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, transaction costs.

All financial assets are classified as fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass - through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

h) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as trade and other receivables and trade and other payables.

All financial liabilities are recognised initially at fair value and, in the case of trade and other receivables and trade and other payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

i) Share Capital

Share capital consists of ordinary shares which are classified as equity when there is no obligation to transfer cash or other assets.

ii) Share Premium

The consideration received above the nominal value of the Ordinary shares is classified as share premium.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTINTY

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. INVESTMENT IN SUBSIDIARY

Movements in the carrying value of the investments during the period were as follows:

Opening balance	**31 Dec 2020 €**
At the beginning of the period	-
Additions	1,606,918,553
Revaluation gain/(loss)	-
At the end of the period	**1,606,918,553**

The subsidiary undertaking of the Company is detailed below:

Name and registered address	**Principal activity**	**Place of incorporation and principal place of business**	**Proportion of ownership interest / voting rights held by the Company**	**Holding**
Lorca Holdco Limited	Holding company	UK	100%	Ordinary Shares

The indirect subsidiaries of the Company are listed in Appendix I of the Group Consolidated Financial Statements.

4. LOANS RECEIVABLE

	31 Dec 2020 €
Loans to group undertakings	467,328,255
	467,328,255

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

5. DEBTORS

	31 Dec 2020 €
Prepayments	80,000
	80,000

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

6. CASH AT BANK AND IN HAND

The amounts disclosed on the Company's statement of cash flows in respect of cash and cash equivalents are in respect of these statement of financial position amounts:

	31 Dec 2020 €
Cash at bank and in hand	77,371
	77,371

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 Dec 2020 €
Trade creditors	(260,000)
	(260,000)

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

The amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayments and are payable on demand.

8. LOANS

	31 Dec 2020 €
Loans from group undertakings	(200,935,418)
Loans from related parties	(23,372,930)
	(224,308,348)

The loans are payable as follows:

	31 Dec 2020 €
Payable on demand	-
Within 1 year	(224,308,348)
Between 1 and 3 years	-
Over 3 years	-
Total	**(224,308,348)**

The Group has three loans maturing on 17 September 2021 and totalling Euro 200 million with shareholders: Euro 179,16 million with Lorca Aggregator Limited, Euro 10,42 million with Onchena, S.L. and Euro 10,42 million with Key Wolf, S.L. Nevertheless, on 24 May 2021 Lorca Aggregator Limited, Onchena, S.L. and Key Wolf, S.L. have signed formal commitments to not request these amounts until 30 September 2022.

9. SHARE CAPITAL

	31 Dec 2020 €
Authorised:	
1,850,038,261 ordinary shares of Euro 0.01 each	18,500,383
	18,500,383
Issued and fully paid:	
92,501,914 ordinary shares issued of Euro 0.01 each	925,020
1,757,536,347 preference shares issued of Euro 0.01 each	17,575,363
At 31 December 2020, 1,850,038,261 shares of Euro 0.01 each	**18,500,383**

Share capital was issued at above par resulting in share premium of €1,831,537,877.

	Date	Number of shares	Nominal (€)	Amount paid (€)	Share capital (€)	Share premium (€)	Total
Ordinary A1	04/03/2020	2	1	1	2	-	2
	17/09/2020	77,021,257	0.01	1	770,212	76,251,044	77,021,256
	28/12/2020	3,732,912	0.01	1	37,329	3,695,583	3,732,912
Total ordinary A1		**80,754,171**			**807,543**	**79,946,627**	**80,754,170**
Ordinary A2	28/12/2020	11,747,743	0.01	1	117,477	11,630,266	11,747,743
Total ordinary A2		**11,747,743**			**117,477**	**11,630,266**	**11,747,743**
Preferred	17/09/2020	1,463,400,135	0.01	1	14,634,001	1,448,766,134	1,463,400,135
	28/12/2020	294,136,212	0.01	1	2,941,362	291,194,850	294,136,212
Total preferred		**1,757,536,347**			**17,575,363**	**1,739,960,984**	**1,757,536,347**
Grand total		**1,850,038,261**			**18,500,383**	**1,831,537,877**	**1,850,038,260**

Lorca JVCo management has evaluated the preferential rights associated with the preference shares and has concluded that the Company does not have an unconditional obligation to deliver cash or another financial asset to settle the obligation. If there is a commitment to distribute cash, the approval and distribution is subject to approval by the Company's Board of Directors and this is discretionary as to its timing and amount. For this reason, the Company classifies the preference shares as equity instruments.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

10. RETAINED EARNINGS

	31 Dec 2020 €
Loss for the period	(202,429)
At the end of the period	**(202,429)**

11. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Company does not have any capital commitments or contingent liabilities that have not been included in these financial statements.

12. CONTROLLING PARTY

The Company's immediate parent and controlling party is Lorca Aggregator Limited, a company incorporated in Jersey.

13. SUBSEQUENT EVENTS

The recent outbreak of the global novel coronavirus ("COVID-19") pandemic has had a material adverse impact on the economies of many countries and has adversely affected global commercial activity. The rapid development and fluidity of this situation precludes any prediction as to its ultimate impact, but the COVID-19 crisis is expected to have a continuing and significant adverse effect on economic and market conditions and trigger a period of global economic slowdown. Such conditions (which may be across industries, sectors or geographies) will impact the operating performance of the Company's financial assets and equity investment in the near term. The valuation as at 31 December 2020 as disclosed in the financial statements reflects the economic conditions in existence at that date.

OTHER INFORMATION REPORT

(STATEMENT OF NON-FINANCIAL INFORMATION FOR THE FINANCIAL YEAR 2020)

Contents

About this report

This report sets out the non-financial information statement of Lorca JVco Limited (the "**Group**" or "**the Company**"), which has been prepared in line with the reporting requirements set out in the specific UK regulations[1]. In addition, the provisions of the *Global Reporting Initiative* Standards (GRI Standards) have also been considered as a reference for the preparation of this document.

The purpose of this document is to report on the Group's business model, non-financial aspects, environmental and sustainability issues, social and personnel issues, respect for human rights, anti-corruption / anti-bribery, and societal reporting, which are relevant to its key stakeholders, in accordance with established regulatory requirements and applicable best practices.

In the preparation of this report and in order to identify the most relevant issues for the Company, throughout 2020 the Group, together with an external expert, carried out a review and update process of the material aspects consisting of a study of the particularities of the company and its business model, as well as the situation of the telecommunications sector, analysing different sector reports, future trends and reports of other companies with similar characteristics to the Group.

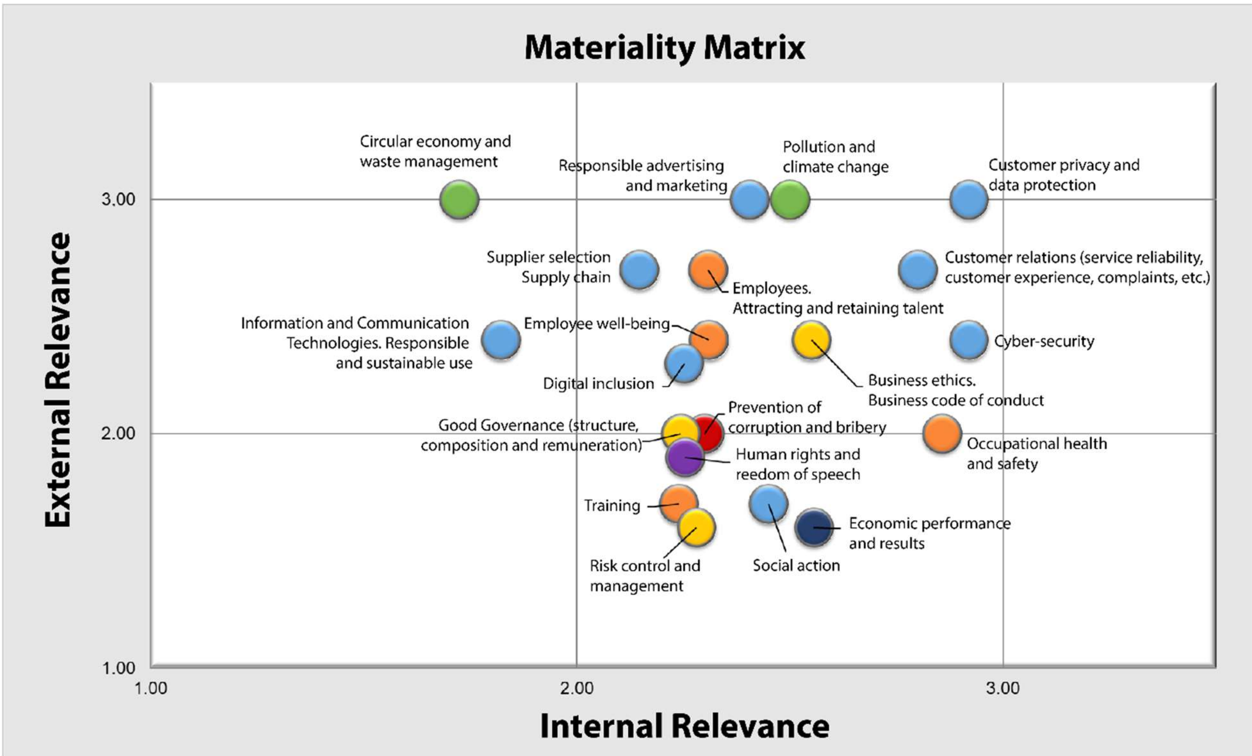
Furthermore, to prioritize the results obtained through the materiality analysis, the Group carried out an internal assessment process through a questionnaire and interviews with key personnel from the different areas involved.

As the main result of this exercise of reviewing and updating material issues, a total of 20 relevant aspects have been identified, represented through a materiality matrix, and prioritized according to the importance of each of them for the company and its Stakeholders. This materiality matrix was presented and approved by the Board of Directors of MASMOVIL IBERCOM, S.A.U.[2] (former head of the Group). In this sense, the aspects included in the materiality matrix have been considered in the preparation and drafting of the contents considered in this document.

Critical issues are mainly grouped into the areas of privacy and data protection, customer relations and management, cybersecurity, personnel issues, pollution, and climate change.

[1] Companies Act 2006; The Companies (Miscellaneous Reporting) Regulations 2018.

[2] On December 29, 2020, the Extraordinary General Shareholders' Meeting of MASMOVIL IBERCOM, S.A. approved a share capital decrease through the redemption affecting the shares held by shareholders of MASMOVIL IBERCOM other than Lorca Telecom Bidco S.A.U. MASMOVIL IBERCOM, S.A. adopted the form of a single-shareholder company by public deed dated 17 February 2021, changing its name to MASMOVIL IBERCOM, S.A.U.



Throughout this document, the Group lists each of the sections with the material and applicable aspects or matters in accordance with the requirements established for reporting non-financial information, identifying the main actions carried out and results obtained in environmental, social and/or good governance matters.

1. Business model

1.1. Business environment

Despite the crisis caused by COVID-19, which has led Spanish GDP to fall by 11% in 2020, the telecoms sector has not been as severely affected as other sectors as revenues have only decreased by 5% compared to 2019 according to CNMC (National Commission for Markets and Competition) data. Moreover, a relatively strong recovery is expected in 2021 and beyond, as the Bank of Spain has indicated on numerous occasions. This growth is also expected to be reflected in the sector.

Mobile broadband lines have grown at a year-on-year rate of 2.1% from January 2020 to January 2021 as published by the CNMC. Fixed broadband lines grew at a year-on-year rate of 3.4%. The number of lines belonging to Mobile Virtual Network Operators (MVNOs) has grown by more than 300,000 lines if the effect of the Lycamobile acquisition is removed.

There are three key factors in the evolution of the number of lines: (i) fibre optic technology (Fibre to the Home - FTTH and Hybrid Fibre-Coaxial - HFC) in homes, which continues to grow, accounting for 87.1% of total broadband lines; (ii) the continued deployment of new generation broadband; and (iii) the agreements between wholesalers (including Orange’s agreement with the Group) are consolidating.

In addition, the CNMC approved, effective from 1 February 2018, a 40% cut in mobile termination rates from 1.09 euros to 0.70 cents per minute. This tariff was reduced to 0.67 euro cents in 2019 and has decreased to 0.64 euro cents from 1 January 2020. In the last 10 years, mobile voice tariff prices have been reduced by about 80%.

In relation to the above, the telecommunications market in Spain has reached such a point of maturity that the opportunity to increase market share is almost only possible through net customer gains in transfers between operators, i.e., in portability and data tariff upgrades. In this respect, the Group's net portability figures for the 2020 financial year were 470,000, a slight decrease compared to 2019, which can mainly be attributed to the decrease in line portabilities during the lockdown months. The portability figure is largely based on the results of customer satisfaction ratings for each operator, as well as customer loyalty.

1.2. Business model

MASMOVIL is an established and consolidated Spanish telecommunications operator, specializing in telecommunications services through the provision of: telecommunications services to end users (fixed telephony, mobile telephony, broadband internet and television), both residential and business; interconnection and *roaming* services to other operators; trading services to *wholesale* customers; and other services related to its corporate purpose through its brands: **Yoigo, MASMOVIL, Pepephone, Embou, Hits Mobile, Llamaya, Lebara, Lycamobile, Guuk and Ahí+.** The Group has 11.5 million customers, of which 9.6 million are mobile phone customers and 1.9 million are fixed broadband customers (according to data published by the CNMC for January 2021). The Group also has its own infrastructures and agreements with other operators that provide it with a fixed fibre network with access to more than 26 million homes and "*Asymmetric Digital Subscriber Line"* (ADSL), as well as 3G and 4G mobile. MASMOVIL continues to work to anticipate the needs and demands of its customers, constantly improving its services and being one of the operators with the best coverage in the country, reaching 98.5% of the population with its 4G network. Service trials of 5G technology have also been launched in 15 Spanish cities.

The Group is pursuing a policy of both organic growths, improving its infrastructures and agreements, and inorganic growth, through the acquisition of companies or customer portfolios that make it the leading operator in terms of growth in the Spanish market. Thus, in 2020 (as in 2019) it is the leading operator in portability and customer acquisition, both in fixed and mobile services, and with the highest customer satisfaction rate in both convergent and mobile-only services.[3]

Throughout these years, the Group has been able to always adapt to market circumstances and has maintained its firm commitment to reduce the digital divide in Spain, offering broadband internet via satellite to 100% of the Spanish population through the KA-SAT satellite, thanks to the agreement established with Eutelsat.

[3] Data extracted from the Net Promoter Score report, prepared by the consultancy firm GFK

1.2.1. Areas of activity

The Group focuses its activities on two main areas, residential and corporate, which are detailed below:

Residential is the Group's main business area, in terms of volume and projection, through which telephony, fixed and mobile connectivity and television services are provided to end customers (Business-to-Consumer - B2C). The Group markets its services through various brands: MASMOVIL, Yoigo, Pepephone, Embou, Hits Mobile, Llamaya, Lebara, Lycamobile, Guuk and Ahí+.

The Group is the leading operator in the Spanish market in terms of growth in both mobile and fixed broadband customers, according to data published by the CNMC. These customers are divided into:

- Customers of a mobile line: coinciding with the end-user (pre-paid and post-paid).
- Multi-line mobile customers: also coinciding with the end-user, but with a multi-line contract for the same TAX ID (in pre-paid and post-paid modalities).
- Fixed line customers: home and business service, end-users are different from those named in the contract.

In 2016, the Group began marketing its convergent offer under the MASMOVIL brand that gradually was extended it to other brands, such as Yoigo, which did so shortly thereafter, and to other Group brands such as Pepephone. This allowed it to consolidate its position as the major alternative to the three incumbent operators in the Spanish market.

It also offers its customers the best connectivity technologies, 4G speed on all mobile tariffs, ADSL with national coverage and a large and growing access via optical fibre, which now exceeds 26 million homes available with this technology.

The **Corporate** area is focused on the telecommunications needs of companies, regardless of their size or sector, where customers find tailor-made and secure solutions, where the end customers are the company's own employees or private users. The services are marketed through the Yoigo and MASMOVIL brands in the business segment (Small Office Home Office - SOHO) and offer communication, connectivity, mobile telephony and data centre.

Within the package offered to companies there is also the service of providing directly or through intermediaries targeted telecommunications services to end-users with a residential profile in rural areas. In these cases, MASMOVIL offers its mobile service through a third party specialized in its segment, which also manages billing and end-user service.

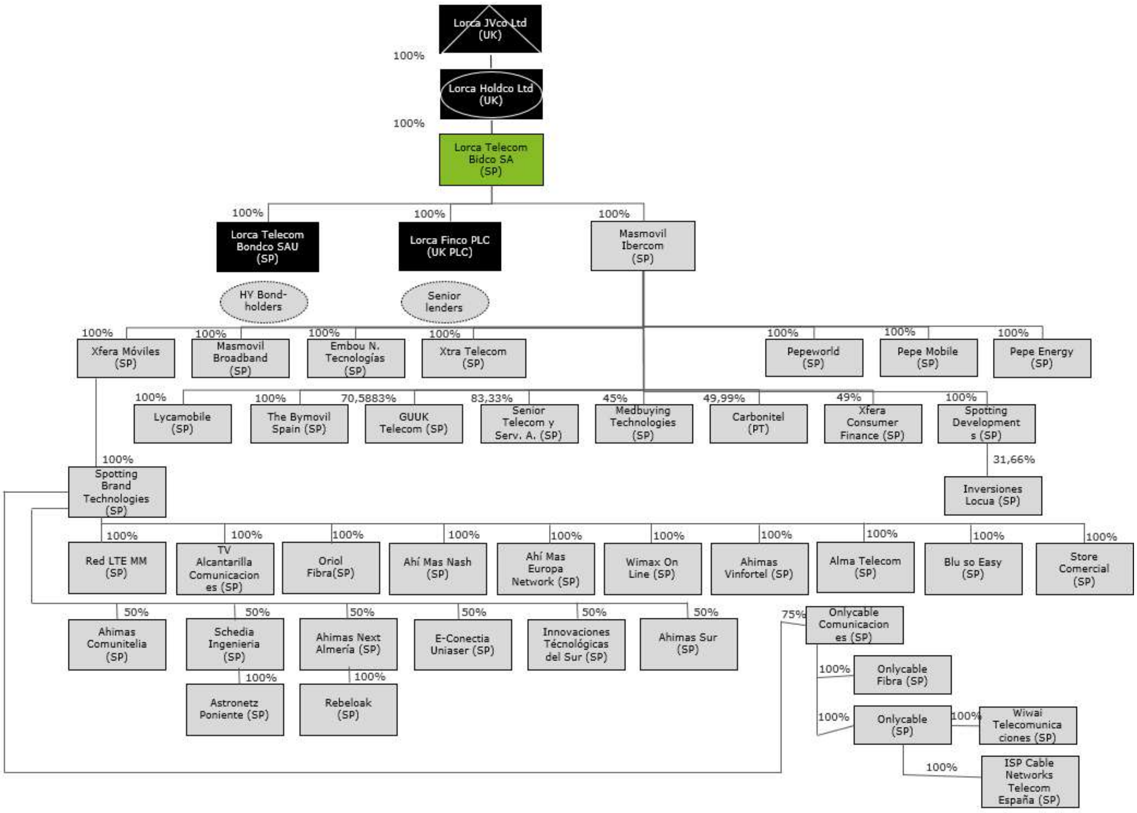
In addition to the catalogue offer, MASMOVIL Empresas offers the channel an engineering team with extensive experience in the preparation of customized offers for customers whose needs do not meet or exceed those of a more standard market offer.

MASMOVIL reached an agreement in 2020 with El Corte Inglés, a benchmark retailer in Spain, to develop new commercial initiatives that will benefit customers of both companies. In addition, Yoigo launched "EnergyGo", a new 100% green electricity service.

MASMOVIL also offers wholesale services (traffic resale) to other telecommunications operators, as well as Mobile Virtual Network Operator (MVNO) services.

1.2.2. Organization and structure

LORCA JVco Ltd (the "**Company**") is a limited company incorporated in March 2020 with its registered office in London, England, for the purpose of holding shares. It is the parent company of the Group, which is the result of the integration during the years 2014 to 2020 of different telecommunications operators with sustained growth in their respective markets and business areas.



* The Group also holds minority shareholdings in Ticnova Quality Team, S.L. (10%) and in Famarflor, S.L. (5.601%).

2. Management of non-financial aspects

The Group's objective is to create value in the long term and in a sustainable manner, ensuring the care and protection of the environment, social development and business ethics based on the principles of transparency and good corporate governance, the leadership of which is promoted by the Board of Directors of the Company.

In 2020, as a sign of its commitment to the environment, social responsibility, and good corporate governance, the MASMOVIL Group reviewed and updated its Mission, Vision and Values, including aspects such as the positive impact on society. The Mission and Vision were defined as follows *[sic]*:

- **Mission:** *Connecting people with the latest technology available and ensuring the best customer experience.*

- **Vision:** *To be the telecommunications company with the highest customer satisfaction rate in Europe and a positive impact on people, our shareholders, and the planet.*

The Values were also updated, including Sustainability, which is a statement of intent on the Group's commitment to making a positive impact. The Group's Values are as follows *[sic]*:

- **Customer first**
  - *We look after them and ensure they are trouble-free.*
  - *We quickly identify any need to provide them with the best solution.*
  - *We innovate to create tangible, quality benefits for them.*

- **Positive attitude**
  - *We smile and work with enthusiasm and honesty.*
  - *We dare to do things differently.*
  - *We enjoy working, learn from mistakes and celebrate successes together.*

- **Simplicity**
  - *We are pragmatic and quick.*
  - *We look for simple solutions.*
  - *We avoid unnecessary bureaucracy.*

- **Sustainability**
  - *We prioritize long-term value over short-term profits.*
  - *We seek a positive impact on our customers, employees, partners, shareholders and society.*
  - *We care for our surroundings and the environment.*

The Group believes that corporate governance is one of the most effective tools to convey confidence to investors, as well as to foster control over the non-financial aspects of the Group, providing an environment of checks and balances necessary to reinforce good business practices and to nurture credibilityand stability, and help drive growth and wealth generation.

In recent years, the financial community has become more demanding in relation to non-financial reporting, supported by recent legislation and initiatives to improve corporate governance practices, mainly driven by regulators.

In this regard, in recent years, the Group, through MASMOVIL IBERCOM, S.A.U. (former head of the Group), has promoted the creation of value through an updated corporate governance system supported by the best references in this area. Therefore, the different corporate policies include the Corporate Social Responsibility Policy and the Corporate Governance Policy, approved by the Board of Directors of MASMOVIL IBERCOM, S.A.U. on 30 June 2017 and 24 January 2018, respectively. In addition, and as proof of the Company's firm commitment to transparency and good governance, the Group's Human Resources and Labour Relations Policy was approved in 2019, and the Criminal Risk Prevention Handbook was updated in 2020.

The Rules of Procedure of the Board of Directors of the Company establish as non-delegable powers of this body the setting of the general policies and strategies of the Company.

In this respect, as established in the Corporate Social Responsibility Policy, the commitments undertaken by the Group are as follows:

- Regulatory compliance.
- Support for the *United Nations Global Compact*, which the Group joined in 2020.
- Ethical commitment.
- Promotion of free market practices.
- Development of advanced corporate governance practices.
- Promoting channels of communication and dialogue.

In accordance with the Group's corporate governance system, this policy is developed and implemented with internal rules, which are cited throughout this report.

All the policies approved by the Board of Directors of MASMOVIL IBERCOM, S.A.U. are published on the Group's intranet, which is accessible to all employees, with the following being of note as they deal with non-financial aspects:

- General corporate governance policy
- Corporate social responsibility area
- Equal opportunities policy
- Risk management and control policy
- Tax policy
- Purchasing policy
- Protocol for action with the public administration and political parties
- Unwanted behaviour policy
- Cybersecurity policy
- Personal data and privacy protection policy
- Crime prevention, anti-fraud, and anti-corruption policy
- Prevention of money laundering policy
- Gift and invitation acceptance and delivery policy
- Sustainability and environmental policy
- Human rights policy
- Code of Ethics
- Supplier Code of Ethics
- Procedure for conflict of interest and related-party transactions with the Group's directors, significant shareholders, and senior management
- Donation and sponsorship policy

2.1 Risk Management System

The Board of Directors of the Company is responsible for risk management, as set out in its own Rules of Procedure.

To promote supervision in this area, on May 22, 2017, the Board of Directors of MASMOVIL IBERCOM, S.A.U. approved the Group's Risk Management and Control Policy, which determines all actions aimed at controlling and mitigating the risks identified at any given time.

These actions are materialized through a Comprehensive Risk Control and Management system based on the "*COSO*" model *(Committee of Sponsoring Organizations of the Tradeway Commission)*, that covers financial, regulatory, strategic, operational, corporate governance and reputational risks.

The Group's risk control and management model is based on the continuous review and updating of the Company's risk map, which has been designed in line with the Group's strategies. Once the risks have been identified and classified (according to their impact and probability of occurrence), the action plans necessary to mitigate these risks are formalized, also assessing the residual risk and risk tolerance levels.

2.1.1 Main risks

According to the latest version of the Corporate Risk Map presented to the Board of Directors, the main non-financial risks to which the Group is exposed, as well as the main mitigation measures, are summarized in the table below:

Risk type	Risk source	Mitigation measures
Strategic / Operational	• Integration of legacy systems and alignment with the Group's strategic objectives	• New SAP HANA implemented in 2020. • "*MasDATA"* project to standardize the Group's reporting information and improve transparency with a multi-brand data warehouse (90% implemented). • "*MasSTACK"* project to standardize the Group's legacy systems on multi-brand platforms (CRM, pricing, billing and commissions). Phase I completed. Phase II to reduce external dependencies planned for 2021.
Cybersecurity	• IT security • Security breaches in systems and networks	• New Cybersecurity policies and procedures approved by the Cybersecurity Committee. • Existence of an information security master plan. • Security controls / logical access to critical systems: IAM *(Identity Access Management)* project. Phase I completed (entry into production in 2021). PAM *(Privileged Access Management)* project in the process of implementation. • The Cybersecurity Operations Centre (CSOC) and the Network Operations Centre (NOC) are operational and have been effective in preventing potential attacks. • Existence of a cybersecurity insurance policy.
Reputational	• Reputational damage and sanctions for non-compliance with privacy/data protection rules (at group level)	• Re-internalization of the function of the Data Protection Officer (DPO) in a specialized lawyer dedicated exclusively to this function (with external advice). • New privacy policies and procedures approved by the Privacy Committee. • External Data Protection audit planned for 2021.
Strategic / Operational	• Continuous improvement of the Business Continuity Plan.	• Business continuity plan activated and tested during COVID lockdown / lessons learned documented. • Business continuity plan developed for eight different scenarios. • Gap analysis to connect high-level business continuity planning with plans implemented by the different areas. • Network redundancy plan foreseen for 2021-22.

Although many of these risks could have a significant impact on the Group's operations, the probability of occurrence is considered to be medium/low, largely thanks to the control mechanisms implemented, as well as the mitigation measures put in place, which has allowed the impact and probability of occurrence to be kept within the tolerance levels approved by the Board of Directors of MASMOVIL IBERCOM, S.A.U.

2.2 Stakeholder relations

The Group's Corporate Social Responsibility Policy approved by the Board of Directors of MASMOVIL IBERCOM, S.A.U. refers to existing relations with the different stakeholders.

The **relationship with shareholders and investors** is based on the principles of loyalty, transparency and the responsible exercise of the rights and fulfilment of the duties of shareholders and bondholders. This relationship should be based on informed participation of shareholders and bondholders, notably through the Company's General Shareholders' Meeting and Bondholders' Meetings. The Group maintains various channels of communication with shareholders and investors: corporate website, General Shareholders' Meeting, Bondholders' Meeting and a specific e-mail address, as well as a specific Investor Relations department.

The **relationship with the Group's employees** is framed within the framework of promoting well-being and a good working environment and fostering their performance within the Group, while encouraging training and equal opportunities. Employees have various internal communication channels, such as intranet, e-mail, *newsletters*, briefings on financial and non-financial targets and results, mobile applications, and an Ethics Committee to safeguard their rights and those of the Company, as well as an Ethics Channel to which they can address queries or report irregularities. This channel is completely confidential and has a management procedure linked to the Ethics Committee.

Customer relations are governed by the principles that involve compliance with responsible advertising, customer health and safety, and service quality monitoring, which will be discussed below.

The **relationship with suppliers** is fluid, involving them throughout the value chain of the various companies that make up the Group, by means of their adherence to the principles set out in the Group's Supplier Code of Ethics. Suppliers have a personalized and confidential ethics mailbox to which they can address any queries or report irregularities.

In this regard, both directly through consultation and indirectly, based on the applicable specialized frameworks and best practices, the expectations of the Group's key stakeholders have been taken into account in reporting the Group's strategy and performance. These expectations and/or relevant aspects for stakeholders and the Company itself are set out in the Group's materiality matrix included in the section "About this report".

2.3 Governance and compliance

The Group has a set of bodies, control mechanisms and internal rules that make up its Corporate Governance System, the purpose of which is, among others, to direct and regulate the Group's organization in a transparent and efficient manner, promoting its common interest and that of its stakeholders, as reflected in its Corporate Governance Policy. This Policy is added to by the Code of Ethics and the following internal regulations: Internal Code of Conduct, the Regulations applicable to its governing bodies, various Corporate Policies and Protocols and the Compliance Model, as well as a series of policies and procedures for each area, for a better and more orderly management of the business and the different processes.

The Company's governing bodies and their main responsibilities are described below:

- **The General Shareholders / Bondholders' Meeting** represents all shareholders / bondholders and is the highest decision-making body of the Company.

- **The Board of Directors** is the body in charge of managing and representing the Company, without prejudice to the powers granted to the General Shareholders' / Bondholders' Meeting and is the highest supervisory and controlling body.

  Likewise, at MASMOVIL IBERCOM, S.A.U. level (former head of the Group), the following committees have been set up (both of them with an independent Chairman):

- The **Audit and Control Committee** is the consultative committee responsible for the Group's internal control, internal audit, and risk management systems, as well as for the relationship with the external auditor. The meetings of the Audit and Compliance Committee are attended, whenever deemed appropriate by its Chairman, by the External Auditor, the Internal Auditor, the Chief Financial Officer, and the Group *Compliance Officer*, as well as by any member of the Group's staff whose activity may be related to the functions performed by the aforementioned Committee.

- The **Appointments and Remuneration Committee** is the consultative committee in charge of appointing or re-electing directors, proposing their remuneration and is involved in the ESG (Environmental, Social and Governance) aspects of the Group. The latter grants this Committee responsibility for issues such as stakeholder relations strategy, review of the corporate social responsibility policy, monitoring of related practices and performance evaluation.

2.4 Awards and recognitions received during 2020

- Fastest and best performing fibre optic network in the Spanish market in 2020, according to "nPerf" report.
- "Genius for Innovation in Audiovisual Media"" Award granted by "CMVocento" to the Yoigo brand for the communication campaign for the promotion of "Netflix".
- Recognition as the best telecommunications company to work for in Spain and number 20 of all Spanish companies, according to the "Actualidad Económica" magazine ranking.

2.5 MASMOVIL Group's contribution to the Sustainable Development Goals (SDGs)

On 20 September 2015, the United Nations (UN) General Assembly adopted the "*2030 Agenda for Sustainable Development*", a 15-year action plan for people, the planet and prosperity, which also intends to strengthen universal peace and access to justice. The Agenda sets out 17 Goals with 169 integrated and indivisible targets covering economic, social and environmental spheres.

As environmental issues have gained ground in all companies, senior management of large companies are endeavouring to integrate the *Sustainable Development Goals* (SDGs) into their business.

As part of its commitment to sustainability and with the aim of growing responsibly, the CEO of the MASMOVIL Group formalized its adherence to the United Nations Global Compact in October 2020. This commitment is a step further in the MASMOVIL Group's positive social impact strategy.

In this regard, after adhering to it, the Group will support and promote the Ten Principles of the Compact in the areas of Human Rights, Labour Rights, the Environment and the Fight against Corruption, and is committed to promoting the goals of the 2030 Agenda and the 17 SDGs, with an emphasis on those related to the Company's business activity.

In particular, the Group will focus its efforts on building resilient infrastructure and promoting sustainable industrialization and fostering innovation (SDG 9). It will also develop actions to ensure inclusive, equitable and quality education and promote learning opportunities (SDG4); to reduce inequality in Spain (SDG10); to make cities more inclusive, safe, resilient, and sustainable (SDG11) and to revitalize the Global Partnership for Sustainable Development (SDG17).

Among the actions carried out to achieve these goals, we highlight the following:

SUSTAINABLE DEVELOPMENT GOALS	
SDG 4 **Develop actions to ensure inclusive, equitable and quality education and promote learning opportunities**	*- MASMOVIL Group promotes innovation in artificial intelligence and young talent together with "UC3M" for the third consecutive year by awarding six research grants at "UC3M" (Carlos III University of Madrid).* *- Agreement with the "Fundación Universidad-Empresa" for the incorporation of students from different universities into the Group's companies (including the "Universidad Rey Juan Carlos" and the "Universidad Politécnica" of Madrid).*
SDG 5 **Gender equality**	*- Existence of an Equal Opportunities Policy, which aims to be the backbone of a favourable environment for employees by promoting effective equality between men and women.* *- Approved Equality Plan of Xfera Móviles, S.A.U. (the Group company with the largest number of employees), approved in October 2020 (see section 4 of this report).* *- In 2020, the Group starts working on the Talent Diversity Plan which is finally approved in the first quarter of 2021.* *- 400 women in the workforce by the end of 2020, out of a total of 1,190 employees.*

<u>SDG 9</u> **Building resilient infrastructures and promoting sustainable industrialization and fostering innovation**	*- During the lockdown period, connectivity allowed many businesses to move forward thanks to digitalization, for the most vulnerable people to integrate and have a chance, and to bring rural environments back to life thanks to the increase in remote working.* *- As part of the Rural Spain Plan (see section 7.1 of this report), MASMOVIL has promoted the deployment of fibre in rural areas in order to reduce the digital divide, which has become one of the Group's main objectives in this area.* *- The Group is in constant contact with innovation and digital developments. In this regard, 2019 will see the launch (together with Inveready, a Spanish investment group) of the "MASventures" accelerator to promote innovative projects in the new technologies sector and foster entrepreneurship in Spain. This accelerator acts as the Group's innovation engine and promotes commercial relations and investment in start-ups focused on the new technologies sector.* *In 2020, the essence of the program is reaffirmed, but seeking to internationalize it and placing greater focus on the Group's areas of interest such as 5G and Data Intelligence (see section 7.1 of this report).*
<u>SDG 11</u> **Making cities more inclusive, safe, resilient and sustainable**	*- The Company has participated in 5G pilot projects in the Basque Country and Catalonia, projects aimed at developing solutions for the education sector, optimising mobility, control and management of areas with large numbers of people as well as the management of public safety and emergencies.*
<u>SDG 12</u> **Responsible production and consumption**	*- In October 2020, the Board of Directors of MASMOVIL IBERCOM, S.A. approved the modification of the Purchasing Policy to introduce a Sustainable Purchasing section (for further details see section 7.2 of this report).* *- Implementation in 2020 of a real-time monitoring system for electricity consumption at the corporate headquarters.* *- Elimination of the consumption of plastic bottles in the offices, replacing them with glass bottles (for each employee) refillable in water fountains distributed throughout the various floors. This action has eliminated the consumption of more than 100,000 plastic bottles per year.* *- The percentage of zero or eco-labelled electric/hybrid vehicles out of the total company vehicle fleet (including the commercial fleet) is 25%.* *- Measures have been implemented at the corporate headquarters to achieve the objective of a paperless office (clean desk policy, digitalization of processes, absence of individual waste-paper baskets and drawers, recording and monitoring of printouts per employee, etc.).*

SDG 17 **Revitalize the Global Partnership for Sustainable Development, create partnerships with foundations and private companies to find innovative solutions for social challenges**	*- The Group began its alliance with the "Innicia Network" in order to gain first-hand knowledge of the needs of vulnerable groups, the challenges faced by associations and third sector institutions in responding to these needs and the need to provide quality connectivity.*

3. Information on environmental and sustainability issues

Although the Group's activities have a low direct environmental impact, the Group is aware of the importance and relevance of environmental protection and has established various measures over the last few years to improve its environmental performance. On 2 October 2020, the Board of Directors of MASMOVIL IBERCOM, S.A.U. approved a new version of the Sustainability and Environment Policy that establishes the basic principles of action to mitigate its effect on climate change and reduce its environmental impact.

It sets out the environmental issues and best practices to be applied in business decisions and processes, as well as compliance with current legislation, which the Group's employees must consider in their actions.

The basic principles covered by the Policy are:

- The inclusion of environmental considerations and best practices in business decisions and processes as an integrated communications operator, as well as compliance with current environmental legislation, the adoption, where possible, of future implementing regulations.
- The performance, prior to the start of any activity or process, of a study to assess its impact on the environment.

- Examination of any significant environmental effects of the Group's various activities.
- The adoption of the necessary measures to prevent and eliminate any pollution or accidental emissions into the natural environment.
- The adoption of the necessary measures to minimize, recover and recycle waste, as far as possible, ensuring appropriate management where no other alternatives exist.
- The adoption of the necessary measures to save on raw materials, including, where possible, their reuse.
- The adoption of the necessary energy and water saving measures.
- Supporting the procurement of environmentally sustainable and energy efficient products and services.
- Supporting design activities that consider energy performance improvement.
- The establishment of programs where objectives and targets are set to continuously improve environmental performance and the interaction of our products, services, offices, technical centres and communications infrastructures with the environmental aspects affected by the activity, as well as their periodic review.
- The prevention of pollution, the reduction of environmental impacts and the efficient use of resources in the deployment, upgrading and maintenance of the communications network, offices and technical centres, as well as in the provision of services.
- The training and environmental awareness of employees, to ensure that their work is carried out with the utmost respect for the environment, also promoting environmental respect among key suppliers.

Mission, Vision and Values:

As mentioned above, during the 2020 financial year, as further proof of the Group's commitment to the environment, social responsibility and good corporate governance, the Mission, Vision and Values were reviewed and updated, including aspects such as the positive impact on society, as well as the inclusion of sustainability among the Group's values, which is a declaration of intent regarding the Group's commitment to generating a positive impact.

Creation of the ESG (Environmental, Social and Governance) Area:

In addition to the revision of the Mission, Vision and Values mentioned above, the MASMOVIL Group decided that it was necessary to centralize and coordinate all ESG-related activities within a single line of management in the company.

To this end, as of September 2020, full responsibility for ESG initiatives was given to the Investor Relations team, which, led by a Managing Director of the company and reporting directly to the CEO, was renamed "IR & ESG".

Since then, the "IR & ESG" team has focused on generating value in environmental, community and good governance issues, having created a strategic plan for the company's social impact in which, among other initiatives, the certification of the "ISO14001" environmental management system, the pursuit of "B Corp" certification and other initiatives such as the Diversity Plan and Equality Plan (both within the scope and responsibility of Human Resources), the Social Discount Rate and the reduction of the digital divide in rural Spain, among many others, stand out.

Obtaining "ISO 14001" environmental certification:

The "ISO 14001" certification certifies and evidence that the company or organization has an environmental management system that complies with all the regulation of the standard and that it is therefore aware of and complies with all the legal requirements that apply to it, as well as other requirements to which the organization subscribes (e.g.,"U.N.Global Compact").

The process of obtaining this environmental certification was initiated by the Group in the second half of 2020 and culminated with the certificate being granted in December.

This certification consists of a comprehensive audit process which objectives include the following:

- Compliance assessment of the Management System.
- Its ability to ensure compliance with applicable legal, regulatory, and contractual requirements.
- The assessment of the Management System's effectiveness, to ensure that the organization can achieve the defined objectives.
- The identification of potential areas for improvement of the Management System.

The audit was resolved with zero 'Non-conformities' detected and only six 'Observations' regarding which the company, as reported in the audit report, has already taken corrective action.

This audit concluded that the MASMOVIL Group's environmental management policy is complete and appropriate to the purpose and context of the organization and provides the framework for the establishment of objectives including the commitment to satisfy legal and regulatory requirements, as well as the commitment to continuous improvement.

The audit also highlighted the following as strengths within the organization:

- The willingness of all the organization's staff in the conduct of the audit.
- The leadership of the organization as expressed by the Governing Bodies.
- The high qualification of the staff involved in the audit.
- The compliance culture in place in the organization.
- The information and technology systems that support records and evidence.
- Assessment of legal requirements carried out by the organization.
- The organization's commitment to sustainability.

In line with the continuous improvement promoted by the ISO 14001 certificate, the Company acquired and formalized as part of its certification, several commitments among which the following are to be noted: making electric/hybrid cars available to employees within the company fleet, promoting courses on efficient driving and emissions control, intensifying communication with employees and managers on the evolution of environmental variables, controlling and reducing electricity consumption both at headquarters and in the network of own antennas, increasing the recycling of alkaline batteries and electronic waste at headquarters and reducing paper consumption.

As part of the certificate, the management takes responsibility for the environmental management system, ensures that the environmental policy and objectives are in line with the strategic management of the organization. To this end, an Environmental Management Committee was set up at General Management level, which meets once every four months to assess and monitor the situation and degree of compliance with environmental requirements and the objectives assumed by the company.

First telecommunications operator in Europe to sign the “B Corp Commitment”:

In November 2020, the MASMOVIL Group announced the signing of its commitment to achieve the “B Corp” certificate, an international recognition awarded to those companies that generate a positive impact on society and the planet through their activity. In doing so, the company became the first telecommunications operator in Europe to acquire and sign such a commitment.

“B Corp” certificate reviews, assesses, and certifies a company’s entire social and environmental performance, and how its business model impacts its employees, society and the environment.

The “B Corp” community is made up of more than 3,200 companies in 70 countries and 150 sectors with a single goal: that one day all companies will compete to be the best for the world and, as a result, that society will move towards shared and sustainable well-being.

In order to obtain this certification, the MASMOVIL Group reinforced its commitment to achieving the highest standards of social and environmental performance, transparency and accountability.

This process began with the completion of the “B Impact Assessment” “(BIA)” questionnaire, available openly on the “B Lab” online platform, which focuses on the current reality of the company and also helps to identify opportunities for improvement and establish concrete actions to make them happen. The initiation of this process therefore involved a thorough review of all Group procedures and activitities both inside and outside the company, with particular attention paid to the impact generated by such activities.

Thanks to this in-depth analysis, improvement actions were detected and classified as follows:

- “Hygienic”: those that must be implemented in the company independently of applying for “B Corp” Certificate.
- “Evolutionary”: those that allow for the development of social initiatives and strategies that were already underway.
- “Expansionary”: involving the creation of new projects or services to support the achievement of the “B Corp” Certificate.

The first measures included: reinforcing the sustainability of the headquarters with the promotion and awareness of recycling, the use of energy from 100% renewable sources, the development of training content on the environment and diversity, the creation of a basic monitoring system for the social activity of suppliers to monitor and promote their positive social impact, among others.

Having successfully passed the first two phases of the certification process (*“scoping”* and *“pre-screening”*) in record time, since March 2021 the company has been immersed in the *"verification"* process, which is expected to culminate in the achievement of B Corp certification before the end of 2021.

<u>ESG (Environmental, Social and Governance) rating and associated funding</u>:

With a rating of 67/100 awarded by "Standard & Poor's - S&P Global Ratings", and reflecting its high commitment to the environment, sustainability, and corporate governance, in 2019 the MASMOVIL Group became the first in EMEA ("Europe, the Middle-East and Africa") to obtain syndicated financing with part of the cost linked to the future evolution of the ESG rating.

In July 2020, the rating agency published a rating upgrade, granting the same overall rating as in 2019. The results of the analysis of the three aspects analysed in the rating were as follows: 69/100 on environmental performance (same as 2019), 67/100 on social (64/100 in 2019) and 67/100 on governance (same as 2019).

Since the last rating update, the Group has carried out a series of actions mentioned in this report (adherence to the "United Nations Global Compact", updating the mission, vision and values, obtaining "ISO 14001" certification, signing the "B Corp" commitment, adapting various Corporate Policies and drawing up equality and diversity plans, among others), which shows that the Group is focusing its strategy on the ESG environment, demonstrating its responsibility to work on controlling environmental, social and corporate governance risks.

<u>New corporate headquarters ("Leed Gold" and "Applus+" certificate)</u>:

In June 2020, the MASMOVIL Group opened its new offices in Alcobendas (Madrid). It is a 14,500 square meter building located at Avenida Bruselas, 38, where total transparency, comfort and visibility of all work areas have been prioritized.

In this respect, the building has different types of collaborative workspaces and meeting rooms, free allocation stations, agora of multiple sizes, shared work desks in open spaces and quiet zones.

The new building also offers and promotes green activities in accordance with the criteria set out in the "UN Sustainable Development Goals" and the "Leed Gold" Certificate awarded to the building.

In addition to the "Leed Gold" Certificate, in September 2020 the new headquarters obtained certification from "Applus+" for its COVID-19 Safe Preventive Protocol, after verifying that it is a controlled space aligned with the most demanding standards against the coronavirus, both nationally and internationally, as well as complying with all the recommendations of the Spanish Ministry of Health in buildings to fight against COVID-19.

This "Applus+" certificate is in response to the work carried out by the company to implement safety measures, both organizational and physical, to protect its staff and visitors from contagion. Examples include the following:

- Organizational measures: "Applus+" certificate evaluators have highlighted the company's ability to react to the crisis with protective measures included in its Covid-19 Preventive Protocol. These measures include rules to be observed by employees before arrival at the workplace, on access to the building and at the workstation, as well as instructions on how to behave once in the office, cleaning and disinfection procedures, protective materials to be always used and rules on how to respond to possible cases of COVID-19.

- Physical measures: "Applus+" stresses that the MASMOVIL Group has drawn up mandatory rules for all its employees, customers and suppliers who access its facilities (use of face coverings, hand washing, gloves, waste management and health and safety rules for meetings). It has also implemented the necessary signage, training, information and posters to communicate these measures and to ensure correct compliance by the people who are at the headquarters, as well as reinforcing its cleaning and disinfection service.

In view of the growing importance of ESG ("Environmental, Social and Governance") aspects in the community in which it operates, the Group has taken a step further and has included in its day-to-day operations several measures that confirm its growing concern to develop its business in a sustainable location.

Some of the actions that, have a positive and direct impact on the environment were already taken in the previous premises and are maintained in the new where additional measures have been implemented. These include the following:

- At the previous headquarters, the consumption of plastic bottles in the offices was eliminated, replacing them with glass bottles (one for each of its employees) refillable in water fountains distributed throughout the different floors. This action has eliminated the consumption of more than 100,000 plastic bottles per year.
- In the new headquarters, this measure has been complemented and reinforced with the provision of a ceramic cup to all employees in order to reduce the use of cardboard coffee cups and also to facilitate the sustainable consumption of water.
- At the previous site, collection containers for plastic, batteries, and paper on all floors of the corporate headquarters were already in place. Recycling bins for electronic components were also placed at the reception of the building and in the distribution channel.
- At the new headquarters it has gone one step further, providing containers for packaging, paper, and organic waste on all floors, as well as bins specially designed for sanitary waste such as face coverings that open automatically to avoid physical contact.
- Also, at the new headquarters, the recycling of electronic devices and components has been further developed, creating a specific area for the recycling of this type of waste, separating them into normal batteries, mobile phone batteries and other electronic equipment. This equipment is removed by authorised waste treatment companies in accordance with its "EWL Code" (European Waste List).
- In the new headquarters, "Airlite" ecological paint has been used to paint the entire surface of the building, a paint that absorbs CO2, purifies the environment of bacteria and prevents dirt and dust from adhering, making your office a space with a very high air quality.
- Natural and hydrophytic vegetation is also being used, with a total absence of plastic plant decoration.
- Ashtrays have been included in the permitted limits for the subsequent recycling of cigarette butts to prevent them from ending up on the ground.
- Use of clean, green and sustainable electricity through the Pepeenergy Group company. The energy comes from green energy producers, certified by the "CNMC", at the cost of the wholesale market plus €4/month[4]

[4] Tariff in force as of March 2020.

- Electric vehicle chargers have been installed in the car park of the new headquarters to encourage the use of electric vehicles by Group employees.
- Finally, to raise awareness among its own employees and visitors in terms of sustainability and the environment, the Group has set up a communication space for the “SDGs” (“Sustainable Development Goals” promoted by the United Nations) and plans to set up a space for the exhibition of sustainable art.

The creation of the Group’s Blog has also been launched, which includes a section dedicated to social commitment and the Group’s contribution to society. In 2019, the “five commitments of the MASMOVIL Group” section on environmental and social issues was added to the corporate website, as well as an Environmental Decalogue.

Finally, through the Webex platform, an internal channel called MASostenibles has been set up where employees can discuss and share measures, initiatives and activities aimed at promoting sustainable economy with the rest of the workforce.

“I Think, Therefore I Act”:

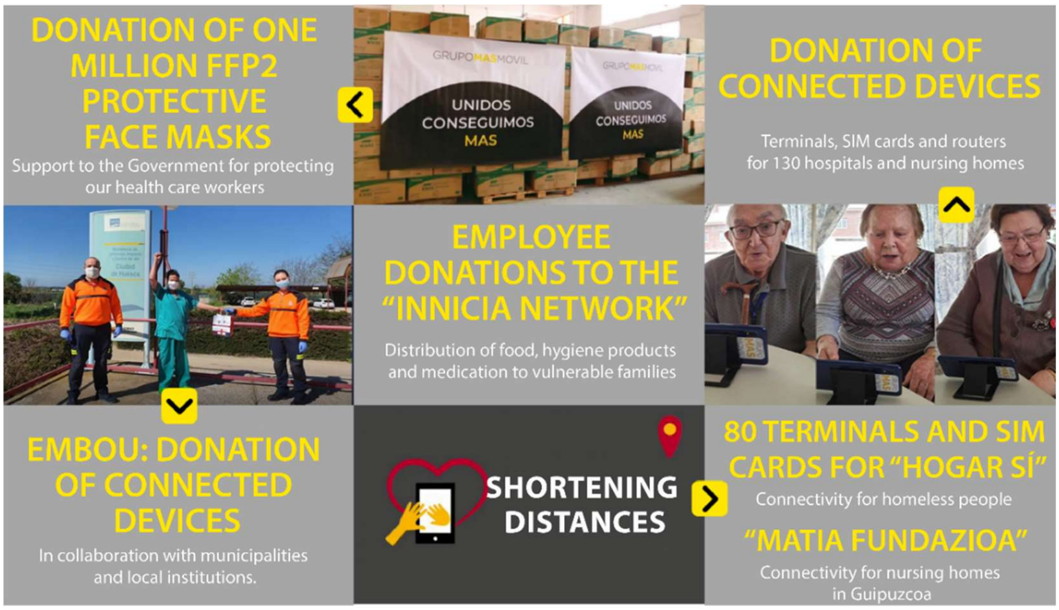
The Group’s major commitment to Positive Social Impact is “I Think, Therefore I Act” (“Pienso, luego actúo”), a Yoigo platform that includes social content, with the aim of giving voice and visibility to people who are committed to a positive transformation of the society in which we live. Anonymous people who decided to transform their desire to excel into extraordinary actions that, in one way or another, are improving the world.

“I Think, Therefore I Act” has been running for more than two years. By the end of 2020 it had received more than 77 million views, inspiring and raising awareness among society and has helped dozens of NGOs, social enterprises and initiatives that are changing the world through various actions related to the United Nations 2030 “Sustainable Development Goals”.

During the 2020 months of COVID lockdown, “I Think, Therefore I Act” transformed its website to become a search engine for social initiatives to help in the pandemic and took these solidarity initiatives to prime-time television to further boost aid.

Yoigo also makes it easy for the public to interact with this social cause in a transparent, direct, and simple manner. During 2020, the real positive impact that the “Think Then I Act” campaigns have had on the success of these social initiatives could be seen. One success story, for example, is that of Pepe Olmedo, founder of the association “Música para despertar” (“Music for walking-up”), that uses music as a tool to work with Alzheimer’s patients. Thanks to the social platform “Pienso Luego Actúo” (“I think, therefore I act”) it increased the number of members by 346%.

Measures and initiatives taken in response to the emergency situation arising from COVID-19:



The outbreak of the pandemic accelerated many of the actions that were already on the table and above all helped to understand the impact that a telecommunications operator has on the lives and basic needs of society. Connectivity became a commodity and the window to be connected to the world, to work, to studies, to information and to health services.

Access to quality internet became a priority for citizens and this led the Group to actively manage its networks to avoid any incidents and network saturation. The Group is proud to say that, as a result of the work and investments, the MASMOVIL Group's fibre network was able to support the substantial increase in traffic that exceeded pre-crisis levels in both voice and data by around 80%.

During this period, the Group's network was once again recognised by the independent "nPerf" study in April 2020 as the best performing network in the sector in Spain, both for fixed and mobile services, leading the market in fixed and mobile download speeds, web page speed and latency.

The Group not only ensured the proper functioning of its network during this emergency, but also reinforced its technical and support teams, increasing the number of people providing assistance to its customers in order to resolve as quickly as possible any technical problems that arose during the lockdown.

In a health emergency environment, the Group was aware from the outset that hospitals and nursing homes were critical points for providing connectivity for patients and elderly people enduring physical isolation. Our response to this need was to donate connected devices to more than 130 hospitals and nursing homes in Spain, as well as providing free educational and entertainment content and, increasing Gb and free calls for its customers through some of the Group's brands.

In this regard, during the period of shortage of protective equipment for our healthcare workers, the MASMOVIL Group donated 1 million FFP2-approved face coverings for use in Spanish hospitals, as well as 2,400 connected devices to hospitals and nursing homes that allowed patients and healthcare workers in lockdown and isolation to remain in contact with their loved ones.

A similar initiative was carried out with homeless people so that during the lockdown period they could receive accompaniment calls from health technicians who monitored their condition.

On the other hand, on an individual basis, the Group's employees, through their donations, helped more than 100 families to cover their basic needs for food, hygiene, and medication.

During the lockdown, employees, and their families with symptoms of infection were also tested and protective equipment, gloves, face coverings and hydro-alcoholic gel were distributed and sent to their homes. As a sample of the Group's commitment to health in the workplace, the company facilitated the delivery to employees' homes of the office equipment and furniture they needed, such as chairs, keyboards, and screens.

At an internal operational level, staff were kept working remotely from before the state of alarm was announced and, thanks to the digital collaboration tools with which employees were already familiar, business continuity was ensured without major incidents. Such remote working was also extended to almost 100% of call centre agents.

For staff whose work could not be carried out remotely, such as installers or shop employees, the company also created protocols and health and hygiene recommendations including disinfection measures, use of face coverings and personal protective equipment, social distancing and reduction of contact during maintenance and repair work.

The headquarters and sales outlets are currently "Applus+" and "Aspy" certified, guaranteeing that they are COVID-19 protected areas. Employees have access to preventive antigen testing on a regular basis (every week or two) and wear a connected device that not only alerts them when the safe distance with another employee is not met, but also records the contacts the person has had during the day so that, if necessary, the infection prevention protocol can be activated.

In addition, to avoid the use of public transport as much as possible, the company has made available to employees a private mini-bus service with several routes through the Spanish capital city.

The Group's subsidiary Embou also contributed to several actions in the Aragón area during the COVID-19 crisis:

- Collaboration with the Department of Education of the Government of Aragón: donation of 100 tablet devices with SIM card and data for students without resources in the province of Huesca.
- Collaboration with Zaragoza City Council: installation of internet connections in a hostel and a pavilion for people at risk of exclusion.
- Collaboration with the Alcoraz Foundation (S.D Huesca): donation of 10 terminals with SIM cards for various hospitals and nursing homes in the province of Huesca.

- Collaboration with Teruel City Council: donation of 10 tablets with SIM cards for hospitals and nursing homes in the city of Teruel in collaboration with CaixaBank and Teruel City Council framed within the "Aislados pero no Solos" project.
- Collaboration with Sabiñánigo Town Council: donation of three terminals with SIM cards for local and district nursing homes.
- Collaboration with Alcañiz City Council: donation of 25 tablet devices with SIM card for local students without resources. In collaboration with Alcañiz City Council. Likewise, through the distributor Puyo Área Tecnológica (Teruel), 10 tablet devices with SIM cards have been donated to hospitals and nursing homes in Valderrobres, Calaceite, Alcañiz and underprivileged students in Herrera de los Navarros.
- Collaboration with the AECC (Spanish Cancer Association): on the occasion of the hospitalized child day (May 13th), five 4G routers with SIM cards were loaned to provide connectivity to certain areas of the oncology unit of the "Zaragoza Children's Hospital" where Wi-Fi was not available, so that they could communicate with their families.

Measures taken to assist customers during lockdown:

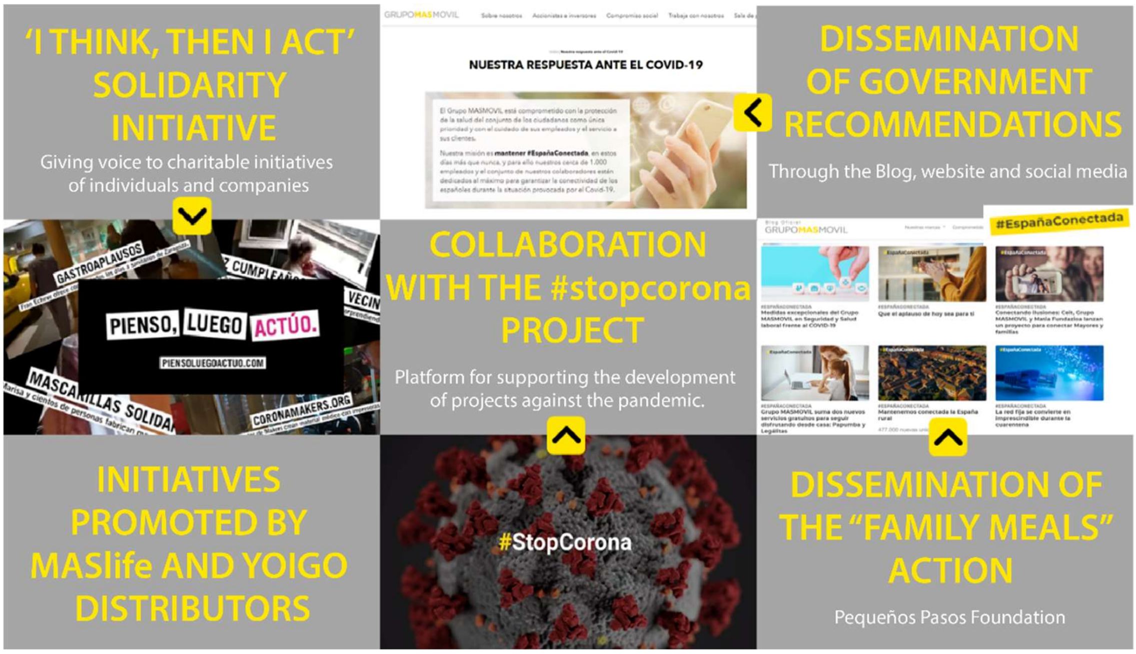
- From the first moment of the health crisis, the MASMOVIL Group provided its customers with free voice and data services to ensure connectivity and make the lockdown situation resulting from the COVID-19 health emergency more bearable.
- The Yoigo and MASMOVIL brands made available to their customers a range of free services for children and adults in leisure, education, health, and technology services, available on new websites created specifically for accessing these gifts, which we call "MásVentanas" for MASMOVIL brand customers and "Biengastadoresdetiempo" for Yoigo customers.
- **Yoigo** increased the data on its high consumption mobile-only tariffs to infinite for both individuals and businesses until June 30, 2020. It also gave away three months of Sky TV and 3 months of FlixOlé to its entire customer base.
- **MASMOVIL** also offered three months of Sky TV and FlixOlé free of charge to all its customers.
- **Pepephone** increased, free of charge, 5 GB of data consumption for all its customers' lines in March and April, as well as giving away 1 GB for each year that its customers have been customers of the brand.
- **Lebara** added 12 countries to its tariffs with international calls included to make it easier for customers to communicate with their loved ones.
- **Llamayá** added free calls between all its prepaid customers and, in general, the validity period of its customers' prepaid cards was extended so that prepaid users could stay connected, receive calls, SMS or make emergency calls for the duration of this situation.

Signing of the operators' agreement with the Spanish Government:

The Group adhered to the commitment that the government and telecommunications operators agreed to sign, extending measures that ensured the connectivity of people and businesses through network monitoring and agile response to incidents, especially with regard to networks supporting emergency services.

Collaboration with the #StopCorona project:

The MASMOVIL Group collaborated in the "#Stopcorona" startup project, a platform created to develop and disseminate new projects and generate synergies to help predict and mitigate the effects of the pandemic. This initiative of the Samaipata venture capital fund allows collective intelligence and experience in the digital and technological environment to be transmitted and put to work at the service of citizens, especially those in the health sector.



Ambassador of the "Madrid x Madrid" initiative to help vulnerable families:

The company also joined as an ambassador of the "Madrid x Madrid" initiative, a citizens' movement that supported the most vulnerable families in Madrid during the period of strict lockdown. This initiative was born with the aim of alleviating the food needs of the most vulnerable people in Madrid and responding to the requests made to Madrid City Council, collaborating in the dissemination of this initiative with external communication in digital and print media, articles for blogs, actions with micro influencers and publication of posts and stories for social media, as well as launching numerous internal communication actions.

MASsolidaria" proposal:

During the second half of 2020, the Group began working on the design and implementation of a social proposal which main objective was to facilitate access to quality internet connectivity for the most disadvantaged segments of the population suffering from the digital divide.

This proposal is aimed at those economically vulnerable groups who are working to overcome their situation of vulnerability and who, to do so, need to be able to access the internet at affordable reduced prices, in a sustainable manner over time and, of course, without changes in tariffs if the beneficiary qualifies as such.

Throughout the process of selecting vulnerable groups, defining eligibility criteria for potential beneficiaries of the social proposal and subsequent monitoring and control of the same, the Group has benefitted from the collaboration of the "Innicia Network".

The "Innicia Network" is an initiative promoted by the "Innicia Association" whose objective is to foster the collaboration of entities of diverse nature united by a common goal of pooling resources in the promotion of common innovative actions and projects that achieve a significant social impact. This initiative was launched in September 2019 and currently comprises 20 entities representing the entire spectrum of the associative world and, therefore, together they have the capacity to face numerous challenges.

The objective of helping economically vulnerable groups to overcome or reduce the digital divide, facilitating their access to work, health, culture and other services at competitive prices, was always a priority for the Group during the design process of this “MASsolidaria” proposal. Accordingly, the MASMOVIL Group decided to build this proposal with a zero margin and, in addition, to bear the costs of customer equipment and installation for the beneficiaries.

In addition to the above commitment by the MASMOVIL Group, a comparison was also made of existing tariffs in the market, especially for fibre (FTTH) and fixed voice, which is the most relevant service for providing quality internet at home.

Based on the above, this proposal was finally launched in the first quarter of 2021 under the name “MASsolidaria” proposal and with a 50% discount on a high-speed internet connection tariff with a landline. The price was set at 15 euros per month which, in addition to the aforementioned 50% discount on the official rate for this service, is 30% cheaper than the cheapest rate on the market, at the time of its design, for a similar service.

EnergyGO:

In the fourth quarter of 2020, the MASMOVIL Group became the first major telecommunications operator to incorporate a 100% green electricity service through the “EnergyGO” service with no extra fees for this service for Yoigo customers and which also has the attractive aspect of providing savings of around 20% over traditional electricity operators. In addition, Yoigo offers recommendations to reduce energy consumption.

Yoigo started offering this service in line with its responsible and environmentally friendly way of doing things, with the aim of helping its customers to reduce their energy bills and their impact on the planet to the greatest possible extent.

This service, which in combination with the Group’s previous commitment to green energy through Pepeenergy, makes it possible to opt for a 100% green and environmentally friendly energy service, with a simple and transparent contracting process that can be carried out online through an App that also offers detailed consumption graphs, personalized home studies, comparisons and short, medium and long-term savings advice.

The offer consists of three tariffs: (i) same price all day, (ii) time discriminating and (iii) electric car tariff to promote the use of electric vehicles.

The focus of the advertising campaigns has been to educate people on the impact of electricity consumption, the responsible use of the planet’s resources and measures to reduce electricity consumption.

3.1 Environmental management

Given its commitment and concern for ensuring respect for the environment, and in its desire to achieve a more sustainable working environment, the Group continues to disseminate environmental awareness messages, both externally, through its networks and corporate website, and internally, using its intranet and internal communications.

As mentioned in the previous section, in December 2020 the Group obtained "ISO 14001" certification for environmental management, which highlights the environmental measures that have been implemented in recent years.

Finally, in its Consolidated Financial Statements for 2020, the Group has not recognised any specific environmental provisions in addition to the provision for site decommissioning, which includes the estimated cost of decommissioning, removal, or rehabilitation of telecommunications infrastructure, which are recognised as an increase in the cost of the tangible fixed assets to which they relate. Likewise, as the Environmental Liability Law does not apply to its activity, the Group has not established environmental guarantees derived from this legislation.

3.2 Sustainable use of resources

The Group's commitment to the environment involves controlling the impacts of its activities. Therefore, the aim is to improve the energy efficiency of its facilities in order to minimize CO2 emissions.

Main consumption of the Group:

- Since LORCA JVco Ltd gained control:

Consumptions	**4Q-20**
Total electricity (MWh)	***2,984***
Diesel Fuel Generator (l)	*1,958*
Diesel fuel CPD (l)	*-*
Total fuel (l)	***1,958***
Water (m3)	***450***

- Of the Group companies in 2020 and 2019 (including data since Lorca JVco Ltd. gained control, as mentioned above):

Consumptions	**2020**	**2019**
Total electricity (MWh)	***18,121***	***19,012***
Diesel fuel Generator(l)	*7,830*	*7,314*
Diesel fuel CPD (l)	*-*	*650*
Total fuel (l)	***7,830***	***7,964***
Water (m3)	***2,276***	***3,895***

All the electricity consumption of the Group in 2020 is sourced from renewable energies with a certificate of origin (of which approximately 88% comes from wind and solar energy and 12% from hydroelectric energy), except for the energy consumed by the investee Embou Nuevas Tecnologías, S.L.U., which represents 0.15% of the total electricity consumption of the Group in 2020 (28 MWh consumed by Embou Nuevas Tecnologías in 2020 and 9 MWh since Lorca JVco Ltd got control) and has a certificate of renewable origin for 37% of its consumption.

As a service company, the consumption of materials is not for the direct generation of products, but for the Group's telecommunications network to provide the services required by its customers. At the corporate headquarters, paper is the most commonly used material. The Company has implemented measures to achieve the objective of a paperless office (clean desk policy, absence of individual waste-paper baskets and bins, recording and monitoring of printouts per employee, digitisation of processes, etc.). Further details on the Group's waste management are included in the following section.

Both light and noise pollution are not considered material as they are insignificant for the Group's activity.

As part of its commitment to the environment, the Group declares its intention to work and seek solutions and corrective measures that promote the reduction of water consumption per employee (litres/employee). It is important to note however that the move to the new headquarters took effect in June 2020 and since then, due to the health crisis, there has been an increase in teleworking and therefore the physical presence of employees in the offices has been lower than would be the case in a business-as-usual scenario.

For these reasons, the Group has considered that it is more appropriate to take the water consumption data per employee for 2019 as a reference. In this way, once the situation is back to normal (expected from 2022), it will be possible to evaluate the measures implemented in the new headquarters, such as the installation of dual flush mechanisms with two flush buttons in cisterns, automatic taps with infrared sensors and irrigation timers, as well as employee awareness-raising initiatives. In such a way that all these measures implemented will reduce water consumption per employee by at least 5% in that period.

On the other hand, in recent years the Group has implemented several energy efficiency measures at the DPCs ("Data Processing Centres"), including the following:

- Installation of cold corridor enclosures in technical rooms in both DPCs.
- Cold bucket assembly of racks. In both DPCs.
- Installation of LED tubes in DPC MT8.
- Installation of the "*free-cooling"* system in air machines no. 2 of the DPC MT8.
- Conditioning of *"free-cooling"* ducts in the MT8 UPS room, to avoid mixing hot and cold air.
- *"Renove"* Plan 2018 and 2019 on sites with old air-conditioning equipment from 2001 replacing these for modern equipment fitted with "*free-cooling"* system.
- "Plan *Renove"* 2018 and 2019 of retrofit equipment and batteries at the end of their useful life for new, more efficient retrofit equipment.
- Eight cold aisles have been created at eight sites with an estimated saving of 14% in electricity consumption at these sites.

In addition, the following projects are being implemented in the Group's network to meet increased customer traffic demand, provide better service and have a much more energy efficient network.

<u>Plant modernization</u>:

Approval and deployment of a new family of mobile telephony equipment that offers improved traffic management and a reduction in electricity consumption of approximately 30% compared to the equipment installed until 2018.

During 2019 and 2020, 30% of the plant has been modernized with this type of equipment, achieving the dual purpose of increasing the network's traffic management capacity and reducing absolute consumption. During this period, 1,400 existing sites have been upgraded and 230 additional sites have been deployed.

Energy efficiency improvement:

A process of optimization of the network's energy efficiency improvement functionalities has been carried out. The newly installed equipment allows a more intensive use of energy saving functionalities to switch the equipment to a standby mode during periods of low demand and optimization of resources in nominal operation. All this without affecting the quality of service perceived by the customer or otherwise improved by reducing inter-node interference.

The energy efficiency functionalities implemented are:

- "MIMO Sleep Mode": it reduces consumption by 10-15% in low-user regimes.
- "Micro Tx Sleep Mode": it optimizes the energy use of Tx equipment only at times when there is a need.
- "Schedule Tx Mode": it compacts the information reducing the Tx time of the equipment.

Optimization of deployment typologies:

The network has been reconfigured towards full outdoor or mixed typologies. The equipment is located outside the buildings in the open air and does not need to be cooled. This form of installation avoids the use of air conditioning at the sites. They also do not use fans for cooling, operating by natural convention.

Energy efficiency improvement:

The energy efficiency of the Group's network is being monitored through energy consumption per GB delivered. The evolution of this parameter has been as follows:

- 2019: 0.60 kWh/GB
- 2020: 0.45 kWh/GB

3.3 Circular economy and prevention and management of waste

The Sustainability and Environmental Policy also strives for continuous improvement in environmental aspects, helping to minimize waste generation and thus contributing to the Circular Economy.

The Group is highly committed to waste reduction and recycling at its facilities and has been developing recycling awareness campaigns through regular internal communications. In addition, at the Group's headquarters, there are different containers for the collection of plastic, paper, organic material and face coverings on each floor of the headquarters, as well as containers for electronic material and batteries. MASMOVIL has also deployed more than 800 electronic recycling points in the Group's different points of sale in Spain.

Likewise, the commitment to the environment extends to the Group's supply chain, its suppliers must have an environmental management system that includes specific objectives and measures, such as ISO14001 or similar certification. Through acceptance of the Supplier Code of Ethics, the Group's suppliers commit to reduce the negative impact of their operations and to strive to maintain and enhance biodiversity.

The supplier also undertakes to establish, where applicable, a monitoring procedure for emissions, effluents, pollution and waste, including electronic waste. All waste shall be properly managed or recycled in a way that allows for proper traceability.

Waste generation in network operations (in kg):

- Since LORCA JVco Ltd got control:

Type of waste	4Q-20
Other electronic products: panels	*78,223*
Other electronic products: antennas	*6,825*
Total electronic waste	***85,048***
Plastic	*3,844*
Paper / Cardboard	*9,022*
Metal	*173*
Wood / cork	*1,447*
Other	*109*
Total packaging	***14,595***
Total waste	***99,643***

- Of the Group companies in 2020 and 2019 (including data since Lorca JVco Ltd. got control, as mentioned above):

Type of waste	2020	2019
Electronic network equipment	-	*2,085*
Other electronic products: panels	*124,395*	*3,058*
Other electronic products: antennas	*9,714*	*724*
Other	-	*54*
Total electronic waste	***134,109***	***5,921***
Plastic	*5,680*	*4,566*
Paper / Cardboard	*13,333*	*11,989*
Metal	*255*	*84*
Wood / cork	*2,139*	*1,071*
Other	*161*	*657*
Total packaging	***21,568***	***18,367***
Total waste	***155,677***	***24,288***

The main reason for the increase in the generation of waste in network operations is due to the fact that the message of the importance of recycling has been reinforced and this has been passed on to the collaborating companies that manage the network ("managed services"), which during 2020 have implemented a tool for monitoring the waste generated in operations.

Generation of waste in DPCs (Data Processing Centres):

- Since LORCA JVco Ltd got control:

Type of waste	4Q-20
Batteries - LER 160601 (kg)	*2,820*
Fluorescent lamps and lights - LER 200121 (units)	*9*
Filters and absorbers - LER 150202 (units)	*12*
Oil - LER 130205 (l)	*347*

- Of the Group companies in 2020 and 2019 (including data since Lorca JVco Ltd. got control, as mentioned above):

Type of waste	2020	2019
Batteries - LER 160601 (kg)	3,450	5,945
Electronic equipment - LER 160214 (kg)	2,696	2,160
Electronic equipment - LER 160213 (kg)	-	2,759
Electrical equipment - LER 200136 (kg)	92	-
Electrical equipment - LER 200136 (pc)	13	-
Fluorescent lamps and lights - LER 200121 (un.)	27	90
Equipment containing chlorofluorocarbons, HCFC, HFC - LER 160211 (kg)	-	608
Filters and absorbers - LER 150202 (units)	55	133
Oilcloth - LER 150202 (l)	-	10
Filter mat - LER 150202 (m^2)	4	10
Oil - LER 130205 (l)	382	75
Air-conditioning split - LER 170409 (kg)	103	-
Copper - LER 170401 (kg)	-	80
Radiators - LER 170407 (kg)	-	120
Ferrous scrap - LER 170405 (kg)	-	460
Air-conditioning belts (units)	6	-

Recycling at headquarters:

- Since LORCA JVco Ltd got control:

Type of waste	4Q-20
Paper / Cardboard	353
Plastic	-
Electronic products	-
Total recycling (kg)	**353**

During the fourth quarter of 2020, there was no collection of plastic and electronic devices containers from the head office, therefore there is no data for this period.

- Of the Group companies in 2020 and 2019 (including data since Lorca JVco Ltd. got control, as mentioned above):

Type of waste	2020	2019
Paper / Cardboard	6,038	2,535
Plastic	2,692	1,029
Electronic products	473	94
Total recycling (kg)	**9,203**	**3,658**

All waste consumed and generated by the Group is removed and processed by appropriate waste managers who certify that waste collection is carried out using the best technologies and in compliance with current regulations.

Food waste:

References to actions to combat food waste have not been considered relevant because MASMOVIL has no relationship with this aspect in the performance of its activity.

3.4 Climate change

MASMOVIL, in the course of its business, does not generate a significant negative impact in terms of greenhouse gas emissions, and therefore this is not considered a material aspect for the Group.

However, in line with its commitment to control and reduce the impact of its emissions, the Group has calculated its Scope 1 and Scope 2 emissions.

Climate change and atmospheric emissions:

- Since LORCA JVco Ltd got control:

Emissions	**4Q-20**
Scope 1 emissions (tCO_2)	*5.30*
Scope 2 emissions (tCO_2)	*2*

- Of the Group companies in 2020 and 2019 (including data since Lorca JVco Ltd. got control, as mentioned above):

Emissions (*)	**2020**	**2019**
Scope 1 emissions (tCO_2)	*21.20*	*21.40*
Scope 2 Emissions (tCO_2) (**)	*5*	*4,676*

(*) The factors used are those of MITECO (Ministry for Ecological Transition and Demographic Challenge) in its most updated version. The consumption of diesel B is multiplied by its factor and the consumption of electricity which has no guarantee of origin is multiplied by its factor.

(**) In 2020, a guarantee of origin certificate is available for electricity consumption, except for 0.15% of electricity consumption.

As part of the ISO14001 certification process, the Group has set a target of a 5% annual reduction in electricity consumption (KWh/GB) in the antenna network, as well as establishing measures to reduce electricity consumption KWh at the corporate headquarters, for example:

- Monitoring monthly electricity consumption through the BMS system.
- Identification of efficiency measures.
- Reduction of the contracted power.

Biodiversity protection: since 2018, the Group has been removing stork nests on telephone towers in accordance with current legislation. Also, since the 2019 financial year, umbrellas have been installed on the towers to prevent storks from nesting in the installations and subsequently having to be removed.

4. Information on social and personnel-related issues

The Group has a firm commitment to its employees, which encompasses the Group's ethical commitment and compliance system in terms of human and labour rights, recognised in national and international legislation, as well as expressing its compliance with the principles defined in the "United Nations Global Compact" and the guidelines of the OECD ("Organization for Economic Co-operation and Development").

It also develops the principles of non-discrimination and equal opportunities which are complemented by specific policies.

Ethics is a fundamental pillar of the Human Resources area, which has developed the implementation of the provisions set forth in the Group's Code of Ethics.

In this regard, the Board of Directors of MASMOVIL IBERCOM, S.A.U., at its meeting held on 27 November 2019, approved the Group's Human Resources and Labour Relations Policy, as a development of Article 12 of the Code of Ethics, which establishes that:

"The Company shall maintain an appropriate selection program, considering the personal and professional academic merits of the candidates and the needs of the Group.

The Group shall evaluate its employees objectively based on their individual and collective performance and promote them, as far as possible, according to their results.

The Company will inform its employees about the outline of its strategic objectives and the progress of the Group."

The objective of the Human Resources Policy is to implement a human resources management model in the Group that allows it to attract, promote and retain talent and foster the personal and professional growth of all the people who belong to its human resources team, as well as to align the interests of the professionals with the strategic objectives of the Group.

This Policy is complemented by the provisions of the Equal Opportunities Policy approved by the Board of Directors of MASMOVIL IBERCOM, S.A.U. at its meeting held on 20 December 2017, which aims to be the backbone of a favourable environment for employees by promoting effective equality among men and women. This policy develops the basic principles of action among which the quality of employment, equality of opportunity and equity and respect for diversity are of note.

In this regard, in 2020, work began on the design and implementation of a Talent Diversity Plan, which culminated in its approval by the Board of Directors of MASMOVIL IBERCOM, S.A.U. at its meeting held on 26 February 2021. To our knowledge, it would be one of the few comprehensive diversity plans that have been officially validated and approved by the Board of Directors of a company in Spain, which reinforces the commitment of the entire organization to creating a diverse work environment.

With this Plan, the MASMOVIL Group aims to go beyond the limits of its organization and become a point of reference in society, becoming a social agent for the promotion of diversity and integration. The MASMOVIL Group is aware that it owes its success to the diversity of people who work in and with it, and to all those customers who have placed their trust in the Group by contracting its services.

For this reason, diversity and social innovation have been incorporated as cross-cutting aspects throughout the Group, which is a key element in placing people at the centre and backbone of the organization. The MASMOVIL Group's Diversity Plan has been designed taking into account that diversity:

- Is integrated into the Group's business strategy and aligned with all Corporate Policies.
- Will be driven by the Group's Board of Directors and senior management and will involve the entire workforce.

- Will incorporate social innovation as a central element of this policy.
- Will be the hallmark of its workforce.
- Will go beyond the boundaries of the organization to take on the role of a Social Agent in society.
- It has been defined since the triple "I": **Investment** in diversity with the incorporation of social **Innovation** will guarantee **Impact** on society.
- It will have an impact on the Group's workforce, customers, partners society and especially people.

The Diversity Plan sets out the general and operational objectives that will govern the MASMOVIL Group's diversity policy over the next four years (June 2021-June 2025). In order to meet these objectives, each year the MASMOVIL Group will draw up a specific Action Plan in which it will define the specific actions to be carried out. It shall also prepare an annual report reflecting the actions carried out and the results and impacts of these actions.

The overall objectives defined in the Plan, and to which all actions under the Plan should contribute, are summarized as follows:

- Gender equality: to guarantee real and effective equality of opportunities among women and men within the company, and thus avoid any type of discrimination in access to employment, professional classification, promotion and training, remuneration and the organization of working time in order to favour a better work-life balance.
- Age: to take advantage of the generational richness in the Group, providing tools aimed at promoting multi-generational teams and reverse mentoring, in such a way as to combine the value of experience with that of up-to-date knowledge, the two-way transfer of knowledge between generations and the use of new systems, tools and work methodologies.
- Disability: compliance with the General Law on Disability in force at any given time, with 2% of direct hiring and/or alternative measures aimed at the integration of people with limited capacity through special employment centres, and/or donations to foundations or entities whose priority is the social and labour inclusion of people with disabilities.
- "Masdiversidad": active policies of zero tolerance for differences based on gender, race, religion, culture, or sexual orientation.

This Policy is complemented with the provisions of the Equality Plan of Xfera Móviles, S.A.U. (the Group company with the largest number of employees), approved at its meeting of 10 October 2020, which aims to guarantee equal treatment and opportunities among women and men in access, selection, hiring, promotion, training and other working conditions, promoting the presence of women in the organization and in positions of responsibility, continuing to integrate the gender perspective in the management of the company.

The Group also approved, on 27 February 2018, a Human Rights Policy as a development and complement to its Corporate Social Responsibility Policy. Likewise, the Group approved, by resolution of the Board of Directors of MASMOVIL IBERCOM, S.A.U. of 25 July 2018, a Policy on Unacceptable Behaviour and Prevention and Action against Moral, Psychological and Physical Harassment which, based on the principle of non-discrimination described in its Code of Ethics, lists the various actions contrary to regulatory compliance, both internal and external, that hinder the proper functioning of a healthy and ethical working environment.

It sets out the procedure for handling complaints received through the internal ethics channel, with the support of the *Compliance Officer*, the Ethics Committee and the Chief Executive Officer. This procedure also defines the internal investigation and the implementation of measures within a maximum of 15 working days.

The Group has also developed various measures to facilitate work-life balance and offers its employees various social benefits such as flexible working hours, intensive working hours in summer and all Fridays, physiotherapy service, healthy meals, mixed work model (onsite and remote) associated with COVID-19, tele-health services, shuttle bus service, discounts on training and leisure, sports activities, among others.

<u>Total number and distribution of employees by gender, age, country and professional category</u>:

At year-end 2020, the Group's workforce consisted of 1,190 employees, of whom 790 are men and 400 are women. Of these 1,190 employees, 129 joined in the last few days of 2020 due to the Group's acquisition of "Spotting Brands Tecnologies, S.L." and its group of companies, hence the information on personnel issues does not include data on these 129 newly hired employees (47 women and 82 men).

Age	**2020**			**2019**		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Below 30 years	32	71	103	23	51	74
From 30 to 50 years	277	526	803	255	422	677
Over 50 years	44	111	155	34	90	124
Total	**353**	**708**	**1,061**	**312**	**563**	**875**

Professional classification	**2020**			**2019**		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Managers	14	69	83	12	59	71
Technical personnel	58	214	272	42	171	213
Admin. personnel	44	53	97	36	39	75
Other personnel	237	372	609	222	294	516
Total	**353**	**708**	**1,061**	**312**	**563**	**875**

Nationality	**2020**			**2019**		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
German	1		1	1		1
Argentinean		6	6		2	2
Bangladeshi		5	5		2	2
Bolivian		1	1			0
Brazilian		1	1		1	1
Bulgarian	2	2	4	2	1	3
Sri Lankan		4	4		3	3
Czech		1	1			0
Chilean		2	2			0
Colombian	1	3	4	2	1	3
Dominican		3	3		3	3
Slovak	1		1	1		1
Spanish	340	618	958	298	530	828
American	0	0	0	1		1
Filipino		1	1	0		0
French		3	3		1	1
Ghanaian		3	3			0
Hindu		16	16		1	1
Dutch		1	1		1	1
Honduran		1	1		1	1

Nationality	2020			2019		
	Women	Men	Total	Women	Men	Total
Italian		4	4		4	4
Lithuanian	1		1	1		1
Moroccan		8	8		2	2
Mexican		1	1			0
Nicaraguan		1	1		1	1
Nigerian		1	1			0
Norwegian	1		1			0
Pakistani		10	10		3	3
Peruvian	1	1	2	1		1
Portuguese		3	3		2	2
Romanian	4	3	7	4	2	6
Russian	1		1	1		1
Senegalese		2	2			0
Swiss		1	1		1	1
Venezuelan		2	2		1	1
Total	**353**	**708**	**1,061**	**312**	**563**	**875**

Total number and distribution of types of employment contracts by gender, age and occupational category:

Permanent contract	2020			2019		
	Women	Men	Total	Women	Men	Total
Full-time	339	705	1044	290	548	838
Part-time	14	0	14	16	3	19
Total	**353**	**705**	**1058**	**306**	**551**	**857**

Temporary contract	2020			2019		
	Women	Men	Total	Women	Men	Total
Full-time	0	3	3	5	10	15
Part-time	0	0	0	1	2	3
Total	**0**	**3**	**3**	**6**	**12**	**18**

Permanent contract	2020			2019		
	< 30 years old	From 30 to 50 years	> 50 years old	< 30 years old	From 30 to 50 years	> 50 years old
Full-time	101	792	151	62	660	116
Part-time	0	11	3	4	10	5
Total	**101**	**803**	**154**	**66**	**670**	**121**

Temporary contract	2020			2019		
	< 30 years old	From 30 to 50 years	> 50 years old	< 30 years old	From 30 to 50 years	> 50 years old
Full-time	2	0	1	6	6	3
Part-time	0	0	0	2	1	0
Total	**2**	**0**	**1**	**8**	**7**	**3**

Permanent contract	2020				2019			
	Managers	Technical personnel	Admin. personnel	Other personnel	Managers	Technical personnel	Admin. personnel	Other personnel
Full-time	83	270	97	594	71	207	73	487
Part-time	0	2	0	12	0	2	1	16
Total	**83**	**272**	**97**	**606**	**71**	**209**	**74**	**503**

Temporary contract	2020				2019			
	Managers	Technical personnel	Admin. personnel	Other personnel	Managers	Technical personnel	Admin. personnel	Other personnel
Full-time	0	0	0	3	0	3	1	11
Part-time	0	0	0	0	0	1	0	2
Total	0	0	0	3	0	4	1	13

Average annual number of permanent, temporary and part-time contracts by gender, age and occupational classification:

- Since LORCA JVco Ltd got control:

Permanent contract	4Q-20		
	Women	Men	Total
Full-time	338	710	1,048
Part-time	15	0	15
Total	353	710	1,063

Temporary contract	4Q-20		
	Women	Men	Total
Full-time	0	4	4
Part-time	0	0	0
Total	0	4	4

Permanent contract	4Q-20		
	< 30 years old	From 30 to 50 years	> 50 years old
Full-time	101	793	154
Part-time	0	12	3
Total	101	805	157

Temporary contract	4Q-20		
	< 30 years old	From 30 to 50 years	> 50 years old
Full-time	3	0	1
Part-time	0	0	0
Total	3	0	1

Permanent contract	4Q-20			
	Managers	Technical personnel	Admin. personnel	Other personnel
Full-time	84	270	95	599
Part-time	0	2	0	13
Total	84	272	95	612

Temporary contract	4Q-20			
	Managers	Technical personnel	Admin. personnel	Other personnel
Full-time	0	1	0	3
Part-time	0	0	0	0
Total	0	1	0	3

- Of the Group companies in 2020 and 2019 (including data since Lorca JVco Ltd. got control, as mentioned above):

Permanent contract	**2020**			**2019**		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Full-time	325	670	996	289	513	802
Part-time	16	1	17	16	0	16
Total	**341**	**671**	**1,012**	**305**	**513**	**818**

Temporary contract	**2020**			**2019**		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Full-time	1	6	7	2	5	7
Part-time	0	1	1	0	0	0
Total	**1**	**7**	**8**	**2**	**5**	**7**

Permanent contract	**2020**			**2019**		
	< 30 years old	**From 30 to 50 years**	**> 50 years old**	**< 30 years old**	**From 30 to 50 years**	**> 50 years old**
Full-time	83	760	153	36	626	140
Part-time	0	12	4	1	11	4
Total	**83**	**772**	**157**	**37**	**637**	**144**

Temporary contract	**2020**			**2019**		
	< 30 years old	**From 30 to 50 years**	**> 50 years old**	**< 30 years old**	**From 30 to 50 years**	**> 50 years old**
Full-time	5	1	1	5	1	1
Part-time	1	0	0	0	0	0
Total	**6**	**1**	**1**	**5**	**1**	**1**

Permanent contract	**2020**				**2019**			
	Managers	**Technical personnel**	**Admin. personnel**	**Other personnel**	**Managers**	**Technical personnel**	**Admin. personnel**	**Other personnel**
Full-time	86	253	91	566	73	182	74	473
Part-time	0	2	0	14	0	1	0	15
Total	**86**	**255**	**91**	**580**	**73**	**183**	**74**	**488**

Temporary contract	**2020**				**2019**			
	Managers	**Technical personnel**	**Admin. personnel**	**Other personnel**	**Managers**	**Technical personnel**	**Admin. personnel**	**Other personnel**
Full-time	0	2	5	0	0	0	0	7
Part-time	0	1	0	0	0	0	0	0
Total	**0**	**3**	**5**	**0**	**0**	**0**	**0**	**7**

Number of redundancies according to gender, age and professional classification:

- Since LORCA JVco Ltd got control:

Age	4Q-20		
	Women	Men	Total
Below 30 years	0	2	2
From 30 to 50 years	6	13	19
Over 50 years	1	5	6
Total	**7**	**20**	**27**

Professional category	4Q-20		
	Women	Men	Total
Managers	0	0	0
Technical personnel	0	2	2
Admin. personnel	0	0	0
Other personnel	7	18	25
Total	**7**	**20**	**27**

- Of the Group companies in 2020 and 2019 (including data since Lorca JVco Ltd. got control, as mentioned above):

Age	2020			2019		
	Women	Men	Total	Women	Men	Total
Below 30 years	1	6	7	0	3	3
From 30 to 50 years	21	28	49	20	30	50
Over 50 years	4	13	17	3	8	11
Total	**26**	**47**	**73**	**23**	**41**	**64**

Professional category	2020			2019		
	Women	Men	Total	Women	Men	Total
Managers	1	3	4	1	6	7
Technical personnel	2	8	10	2	9	11
Admin. personnel	3	1	4	8	3	11
Other personnel	20	35	55	12	23	35
Total	**26**	**47**	**73**	**23**	**41**	**64**

The Group experienced an increase in staff turnover compared to the previous year, due to the fact that during 2020 MASMOVIL continued to recruit profiles specializing in digitalisation and the use of new technologies and work methodologies such as Big Data or Artificial Intelligence and the implementation of the Agile culture. This is the reason why, despite turnover, the Group's total number of employees increased by 21.25% during the year.

In fact, despite the particularly complex economic environment resulting from the healthcare crisis that arose in March 2020, the Group did not resort to collective labour restructuring processes, including collective redundancies (ERE), contract suspension or reduction (ERTE), or collective modification of working conditions.

Average salaries in euros and their evolution broken down by gender, age, and professional classification:

Following the principles developed in the Equal Opportunities Policy and the Diversity Plan, the Group understands that equal pay is a fundamental right of its employees. For this reason, the Group strives to ensure that remuneration is equitable for both genders. In addition, other aspects such as seniority and the assumption of greater responsibilities throughout the career are also rewarded.

Age	**2020 (euros)**			**2019 (euros)**		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Below 30 years	33,625.91	32,622.14	€32,933.99	27,239.67	28,182.16	27,889.23
From 30 to 50 years	44,652.00	54,781.98	€51,287.58	42,495.61	55,524.16	50,616.80
Over 50 years	54,914.27	75,279.15	€69,498.15	52,424.08	87,845.23	78,132.98
Total	**44,931.62**	**€55,773.27**	**€52,166.20**	**42,452.92**	**58,214.13**	**52,594.14**

*The calculation of remuneration includes fixed and variable remuneration

Professional category	**2020 (euros)**			**2019 (euros)**		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Managers	115,782.01	140,212.14	136,091.39	112,850.00	148,854.93	142,769.59
Technical personnel	51,071.31	53,560.65	53,029.83	54,413.64	49,939.66	50,821.85
Admin. personnel	48,294.09	56,743.70	52,910.89	43,507.61	54,964.17	49,465.02
Other personnel	38,619.57	41,245.82	40,223.78	36,213.81	45,268.14	41,376.67
Total	**44,931.62**	**55,773.27**	**52,166.20**	**42,452.92**	**58,214.13**	**52,594.14**

*The calculation of remuneration includes fixed and variable remuneration

The wage gap, the remuneration for equal jobs or average of the company:

Professional category	**2020**	**2019**
Managers	17.4%	24.19%
Technical personnel	4.6%	-8.96%
Admin. personnel	14.9%	20.84%
Other personnel	6.4%	20.00%
Total	**7.57%**	**13.36%**

* The calculation is the difference between men's pay minus women's pay, divided by men's pay.

As further evidence of the Group's commitment to transparency and the reduction of the gender pay gap, in 2020, as in last year, the latter has been calculated using the weighted average by professional category, resulting in a total pay gap of 7.57% (13.36% in 2019). This is a wage gap below the sectoral context. In addition, it can be seen that the Group has significantly reduced the gap in the categories of Management, Administrative and Other Personnel[5].

The average remuneration of Directors, including allowances, indemnities and any other payments broken down by gender:

The members of the Board of Directors of Lorca JVco Ltd. do not receive any remuneration or allowances as Directors of the company. Furthermore, no severance payments were made to members of the Board of Directors during the financial year 2020, nor are there any provisions for severance payments outstanding at the date of publication of this report.

[5] The Technicians category has seen an increase in the difference due to the incorporation in 2020 of personnel from "Deep Technology & Engineering Services" (BQ) as a result of the purchase of the assets related to the IT and computer engineering services business.

Member
Ignacio Cobo Bachiller
Jorge Quemada Sáenz-Badillos
Thomas Railhac
Jean-Pierre Saad
Robert Sudo
Stefano Bosio
Josep Maria Echarri Torres
Meinrad Spenger
José Germán López
Begoña Araujo-Perez
Cristina Serena García-Conde

The Chief Executive Officer of MASMOVIL IBERCOM, S.A. (former head of the Group), who is a member of the Board of Directors of Lorca JVco Ltd. and an executive of the Group, has a different remuneration from the rest of the Directors, according to the respective resolution of the General Shareholders' Meeting of MASMOVIL IBERCOM, S.A.U.

- Since LORCA JVco Ltd. got control:

Concept	**4Q -20 (euros)**
Fixed remuneration	87,500
Variable remuneration	0
Remuneration in kind	4,321
Long-term incentive scheme	0
Total	**91,821**

- Of the Group companies in 2020 and 2019 (including data since Lorca JVco Ltd. got control, as mentioned above):

Concept	**2020 (euros)**	**2019 (euros)**
Fixed remuneration	350,000	350,000
Variable remuneration	553,403	1,322,000
Remuneration in kind	17,381	16,454
Long-term incentive scheme (*)	47,373,441	0
Total	**48,294,225**	**1,688,454**

(*) Share Appreciation Rights Plan approved by the Extraordinary General Meeting of March 1, 2017.

Employees with disabilities:

Employees with disabilities	**2020**	**2019**
	3	3

The Group is sensitive to the integration of people with disabilities through direct recruitment. At present, the companies of Grupo Xtra Telecom, S.A.U. and The Bymovil Spain, S.L.U. have a certificate of exceptionality of compliance with the Persons with Disabilities Act (LGD in Spanish). Likewise, despite taking actions aimed at the direct hiring of people with limited capacity, Xfera Móviles, S.A.U.'s application for exceptionality is being processed.

The new corporate headquarters complies with current regulations on accessibility for people with reduced mobility.

Percentage of employees covered by a collective bargaining agreement:

Collective agreement	2020	2019
	100%	100%

4.1 People development

The Group, through its various policies and internal regulations, is committed to applying an appropriate talent attraction and selection program, considering the personal and professional academic merits of the candidates and the needs of the Group.

Each and every need of the Group is published internally, with priority given to internal mobility. All in-house professionals are interviewed by the area concerned and Human Resources, receiving *feedback* so that, if they are not selected for the position, the company will provide them with the necessary tools for their professional development. Any employee can opt for internal promotion or mobility within the different areas of the Group.

The Group also has a recruitment and retention procedure for those who join on with trainee contract, so that they can be recruited in the event of a job vacancy.

In addition, within the framework of talent development, numerous initiatives have been carried out with the aim of having the best talent within the Group (committed to the company and its professional development, motivated, and aligned with the Group's transformational vision):

- "*Agile DNA*": in the last year, a highly ambitious process of transformation has been carried out in the way people work, from the point of view of strategy, structure, people, processes and technology, with the aim of becoming a 100% "*Agile*" organization.

Currently, more than 50% of the workforce carries out all its activity within this model, and it is gradually being adopted by the rest, with this growth being one of the corporate objectives. Since its implementation, the Group has achieved:

- To create an "*Agile Chapter"* that centralizes support to the tribes (teams) through the "Agile *Coaches"*, who also lead the digital and cultural transformation under the HR umbrella.
- To create the figure of the BPO *("Business Process Owner"*): independent teams with *end-to-end* vision.
- A flatter organizational structure without the traditional hierarchies in day-to-day operations.
- Adapting more quickly to changes in the environment.
- Frequent increases in value: continuous improvement, in the product and in the methodology itself.
- Reduction of voluntary turnover, and therefore of loss of talent(*know-how*).

- Talent review framework ("MASvalor"): a continuous measure and reflection on the individual and collective contribution of employees is carried:

- "Objective Key Results" (OKRs) management framework: in the last year the Management by Objectives model has evolved. Collective objectives gain weight and are differentiators, with a focus on building bridges between the strategic Key Results, the KRs of the tribes and the initiatives that are put in place to achieve them.
- QBR ("Quarterly Business Review"): the monitoring and framework of the OKRs is carried out through this quarterly space, where inter- and intra-tribal initiatives are shared, dependencies are identified, the main monitoring KPIs are aligned, and continuous improvement is worked on.
- Competency and values-based assessment (360º): it is especially important for the Group to recognise that the objectives set are met, but also that the workforce is committed to the Group's values, develops its skills and deepens/acquires new knowledge. The directly responsible manager, peers, direct team and colleagues from other tribes/areas are involved.
- Identification of the potential of collaborators. To this end, a series of "agilities" are considered that determine the readiness and speed of growth (change management, emotional intelligence or learning capacity). For key target groups, specialized partners are used.
- Talent map: with the information from the talent review process, we hold bottom-up talent committees to share the assessments and reach a consensus on a starting picture that will mark the different development actions.

- Proffessional growth framework ("MAScarera"): it was created with three objectives: 1. provide the team with independence that enables development, 2. standardize progression criteria for the different profiles within the organization (19 profiles whose mission is represented within the Group's value chain and its impact on the end customer) and 3. establish a common framework for growth based on: knowledge, independence, complexity of the function and key skills.

  "MAScarrera" is the cross-cutting framework underpinning the Group's development model.

- Differentiated talent management processes to accelerate the growth of key groups, such as the "Mastalent" program, which is made up of two axes:
  1. Identification of key people and critical positions: construction of the success profile for each of them, assessment/feedback, degree of person/position suitability and individualized retention plans.
  2. Individualized reinforcement and follow-up for high potentials and experts in the talent pool: potential successors to critical positions.

The Group builds individualized development plans for key people; within this group, are included the occupants of critical positions and also professionals who, over a continuous period of time and within our annual transversal performance management process ("MASvalor"), are positioned as high potentials.

These initiatives are complemented by various short-, medium- and long-term remuneration instruments.

4.2 Work environment survey

In line with the Group's commitment to implement initiatives that ensure employee satisfaction and with the aim of improving the working climate in the organization, in 2020 the Group designed the Employee *Journey*. This *Journey* has helped us to improve many aspects of the company beyond one-off requests.

In this regard, the Happyforce tool, the mobile App that replaces the climate survey, has been implemented in 2020. It is a totally anonymous, agile and dynamic tool that allows to know what the employee's experience is like from the first contact with the Group, her/his first day at work and the rest of the moments that refer to those situations that are especially important for employees in their interaction with the company. This information has allowed us to take the pulse of employee sentiment and what is important to them at any given moment in order to improve the employee experience. In addition, it allows the heads of the areas to know the aggregated results in real time in order to implement improvement actions.

With Happyforce we take the daily pulse to measure the Happiness Index which is the number that allows to understand the level of employee satisfaction and motivation. On a quarterly basis the eNPS**,** is also measured, an indicator that measures the level of employee satisfaction within the company, and therefore the likelihood of recommending it as a good place to work to family, friends, or acquaintances.

In 2020, the Group achieved an incredibly positive score of 56.3 on a scale of -100 to 100. Above +40, the results are excellent.

Looking at the comparison, the Group is 24 points ahead of the industry and 17.4 points ahead of all companies with Happyforce. This data helps us to further strengthen the actions carried out so far and to continue to improve with the feedback we receive from our employees.

In addition, Happyforce has an anonymous wall where employees can make requests or suggestions for improvement, and the Human Resources department escalates these to the different areas of the company to respond to and resolve all the suggestions received.

Finally, a Happyforce tool rating survey has been launched with a score of 8.3 out of 10. In general, employees are satisfied with the tool, they find it easy to use, it helps them to stay informed and they feel the company hears them.

At the end of 2020, there were 950 active employees, representing 90% of the workforce and more than 40 improvement actions carried out.

4.3 Safety, Health and Well-being

The health and safety of all the Group's entire workforce is present in all the Group's daily actions and decisions, which is why the company has had an Occupational Risk Prevention Management System in place since 2018. As indicated in the aforementioned Management System, the Group has set up a Joint Prevention Service, which is integrated within the Human Resources area, as a form of preventive organization. This preventive organization has passed the mandatory Regulatory Audit during the 2019 financial year, with a satisfactory result and the corresponding certification in January 2020.

Hours of absenteeism, number of accidents at work, indicating their frequency and severity:

- Since LORCA JVco Ltd. got control:

	4Q-20
Hours of absenteeism	9108
Absenteeism rate (*)	1.17

(*) Expresses the number of working days lost using the average number of working days (calendar days from sick leave to return to position, inclusive) per 100 working days

Accidents	**4Q-20**
Women	*1*
Men	*0*
Frequency ratio	**4Q-20**
Women	6.40
Men	0
Severity ratio	**4Q-20**
Women	0.11
Men	0
Professional illnesses	**4Q-20**
Women	*0*
Men	*0*

- Of the Group companies in 2020 and 2019 (including data since Lorca JVco Ltd. gained control, as mentioned above):

	2020	2019
Hours of absenteeism	29,568	25,487
Absenteeism rate*	1.05	1.07

** Expresses the number of working days lost using the average number of working days (calendar days from sick leave to return to position, inclusive) per 100 working days*

Accidents	**2020**	**2019**
Women	1	0
Men	0	1
Frequency ratio	**2020**	**2019**
Women	1.73	0
Men	0	1.02
Severity ratio	**2020**	**2019**
Women	0.029	0
Men	0	0.007
Professional diseases	**2020**	**2019**
Women	0	0
Men	0	0

Health care and promotion:

In addition to the legally required activities, the Joint Prevention Service has guided its actions towards Employee Wellness; proof of this are the joint efforts with other areas of the company (Employee Experience, Communication and Corporate Social Responsibility) for the implementation of different initiatives for the benefit of its employees, which will be framed within the *Corporate Wellness* Plan, which are internal initiatives for the improvement of both the health and well-being and satisfaction of the Group's employees:

- Telemedicine service and telematic and anonymous psychological assistance.
- *In-door* physiotherapy service twice a week (temporarily suspended due to the COVID-19 pandemic).
- Distribution of fresh fruit at headquarters (temporarily suspended due to the COVID-19 pandemic).
- Signing of agreements with gyms located close to the Group's headquarters.
- Promotion of corporate and group sports tournaments and activities.

COVID-19 pandemic action plan:

In February 2020, the Group set up a Business Continuity Committee involving top management and key areas to ensure business continuity and guarantee the health and safety of employees. The Health and Safety at Work Area was part of this Committee from the outset.

In summary and as a result of the global pandemic caused by COVID-19, the following actions have been carried out to guarantee the health and safety of employees:

- Remote work of all staff, prior to the start of the State of Alarm and provision of ergonomic chairs and screens.
- COVID-19 testing from March 2020, both in the workplace and by home delivery if necessary. Currently, COVID testing is performed at head office every 2 weeks (it has been

done on a weekly basis during the peak of the third wave when cumulative cases spiked in the country). Tests are also carried out for commercial staff and other sites.

- Adaptation of the work centres (distancing workstations, signs, installation of body temperature measuring devices at the entrance, provision of hygiene and protection products, reinforcement of the cleaning service, adaptation of the air conditioning system, limitation of capacity in meeting rooms, restrictions on mass-attendance activities and events, provision of a medical service and examination room, with medical staff, etc.) obtaining certification of safe space against COVID-19 at head office, by means of an independent audit carried out by “Applus+”.
- Return to onsite activity with a combination of remote and onsite work.
- Recurrent and constant provision of hygiene and protection material to employees (mainly face coverings and hydro-alcoholic products), both at head office and sent to commercial staff.
- Implementation of the “COwin-19” solution for case tracking in the event of transmission (based on individual Bluetooth devices and an App manager for management and operation).
- Discretionary transport service to and from the workplace, to avoid the use of public transport.
- Development and publication of protocols for action in various cases: Plan for the return to onsite activity, Operational protocol for action, Health emergency protocol for COVID-19 cases, etc.
- Development and implementation of a specific COVID prevention course, mandatory for all MASMOVIL staff.
- Preparation of Preventive Information Sheets on COVID.
- Implementation of a medical service with on-site medical staff at headquarters, providing a service to all company staff (both at headquarters and commercial staff) for the extraction of COVID detection tests with individualized advice, monitoring and tracking of cases, etc.
- Continuous monitoring of cases of contagion, close contacts, and preventive isolations with reporting to the Management Committee and employees.

4.4 Internal employee training

In line with the Human Resources and Labour Relations Policy approved by the Board of Directors of MASMOVIL IBERCOM, S.A.U., the Group’s strategy in the area of human resources focuses on creating an ideal working environment for its employees where they feel part of the Group, with opportunities for progress and promotion. To this end, they have training plans in place to cover current and future gaps in their work and, in turn, have a positive impact on their own and the Group’s development.

Training plans are designed by defining and analysing the needs identified by each of the Group’s areas, as well as by analysing the Group’s global strategy. In line with the latter, employees develop new skills and general competencies such as agility and leadership, customer orientation, etc., and some more specific competencies in areas such as risk prevention, languages, product, and technical knowledge.

The Group maintains various training formats: classroom, virtual, online with its own LMS (“Learning Management System”), etc.

<u>Hours of training by gender and professional category</u>:

- Since LORCA JVco Ltd. got control:

Training hours	4Q-20
Managers	124
Technical personnel	2,190
Admin. personnel	131
Other personnel	1,150
Total	**3,595**

Average hours of training by gender	4Q-20
Women	3.04
Men	3.26

- Of the Group companies in 2020 and 2019 (including data since Lorca JVco Ltd. got control, as mentioned above):

Training hours	2020	2019
Managers	1,482	1,770
Technical personnel	8,743	5,874
Admin. personnel	817	2,810
Other personnel	8,209	9,922
Total	**19,251**	**20,376**

Average hours of training by gender	2020	2019
Women	15.59	24.64
Men	15.74	22.54

Due to the health crisis, none of the planned face-to-face training courses s have taken place during the last nine months of 2020. As a result, fewer training hours were delivered in 2020 than in the previous year. A total of 19,251 hours of training provided in 2020 compared to 20,377 hours during the previous year (-5.52%).

In June, in view of the health situation, a monographic course on COVID-19 and prevention measures was shared with the entire organization.

In October, a new *Compliance* course was held for the entire organization.

Both programs were included in the welcome plan for new employees, so that new recruits are aware of these contents.

In 2020, a compulsory course on risk prevention was also included in the welcome plan for new employees, after being taught to the entire organization in 2019, also on a compulsory basis.

As a complement to the training efforts, a video was released in September 2020 in which the CEO shared the Group's Vision, Mission and Values with the entire workforce.

During 2020, the strategy of involving the areas in the survey of training needs for the different groups has continued. The process began in November with the launch of a statement by the CEO to the entire organization indicating the objective of the process and the communication channels for channelling their needs. In addition, meetings were held with the areas to analyse the needs identified.

5. Information on respect for human rights

As the MASMOVIL Group's activities are limited to Spain, issues relating to respect for human rights are not a material issue for the Group. In the European Union both the abolition of forced or child labour and respect for freedom of association are strongly monitored and guaranteed. These issues are therefore limited to the proper management of employees and ensuring compliance with their fundamental rights.

Although the Group's activities have a low human rights impact, it is aware of the importance of employee protection and social impact. Therefore, the Corporate Social Responsibility Policy, approved by the Board of Directors of MASMOVIL IBERCOM, S.A.U. on 30 June 2017, expressly mentions the protection of the fundamental rights of employees and is under constant review by the Group's *Compliance Officer*.

However, the Group wishes to go further on human rights issues and on 27 February 2018, it approved a specific policy for the formalization of its commitment to human rights and labour rights at both national and international levels. It refers to the United Nations Global Compact (which the Group joined in 2020), the guiding principles on business and human rights and the social policy of the ILO ("International Labor Organization").

The Group remains committed to proper management of its employees and to ensuring compliance with their fundamental rights, eliminating any kind of discrimination in the workplace through the various internal procedures and the Group's Code of Ethics, and with its suppliers through mandatory compliance with the Suppliers' Code of Ethics. At all times, respect for human rights as recognised in national legislation and compliance with international standards is required.

The Group also rejects child labour and forced labour and is committed to respecting freedom of association and collective bargaining, as well as to implementing due diligence procedures for the identification of risks in this area and to verifying these procedures.

The MASMOVIL Group is not aware of any inappropriate behaviour or complaints that violate human rights, nor of any cases or complaints related to any type of discrimination.

6. Information relating to the fight against corruption and bribery

The Group's corporate values are honesty, integrity, and compliance. It therefore maintains a firm commitment to the fight against corruption and bribery, which resulted in the approval by the Board of Directors of MASMOVIL IBERCOM, S.A.U. on 27 February 2020, of a new version of the Group's Code of Ethics, originally approved on 22 May 2017, a fundamental rule of the Company and its subsidiaries, which sets out the values and principles that should guide the behaviour of all those who are part of the Group.

Through the Human Resources Area, campaigns have been carried out for adherence to the Code of Ethics, which has been signed by all Group employees, including new recruits, who receive it as part of the welcome pack, and must return a signed copy, which is kept by the Human Resources Area.

All employees have at their disposal a confidential ethical channel through which all enquiries received have been assessed and answered.

Throughout 2020, there have been no allegations or reports of corruption or bribery in the Group.

The policies and procedures implemented by the Group to fight corruption and bribery, in addition to the aforementioned Code of Ethics, are the Suppliers' Code of Ethics, the Crime, Fraud and Corruption Prevention Policy, the Policy on Acceptance and Delivery of Gifts and Invitations, the Money Laundering Prevention Policy, the Protocol for Action with Public Administrations and Political Parties and the Criminal Risk Prevention Manual, all approved by the MASMOVIL IBERCOM, S.A.U. Board of Directors.

The Suppliers' Code of Ethics includes a specific section on anti-corruption and anti-bribery requirements in which it is stated that the supplier undertakes to endorse several of the premises stipulated in the Group's Crime, Fraud and Corruption Prevention Policy.

The Group also has several internal rules governing various matters, such as the Procedure for conflicts of interest and related-party transactions with directors, significant shareholders and senior management of the Group and the Protocol for handling news and rumours.

The Group has developed a criminal prevention plan where effective controls have been implemented and potential offences have been detailed, and a crime prevention manual has been drawn up. In direct relation to the above, and in accordance with the Regulations of the Board of Directors of MASMOVIL IBERCOM, S.A.U., "*under the supervision of the Board of Directors there shall be an internal regulatory compliance function performed by an internal unit or department of the Company*" and, in this regard, the *Compliance Officer* reports directly to the Board of Directors, on a regular basis, on the degree of compliance with the internal regulatory compliance function. In this regard, and in compliance with the provisions of the Group's governance rules, the Group's *Compliance Officer* fosters a culture of compliance, transparency, ethics, and internal control in all areas, with the commitment of senior management, and promotes the effective supervision of the Group's non-financial risks, with an emphasis on the prevention of criminal risks.

In this regard, on 27 February 2020, the Board of Directors of MASMOVIL IBERCOM, S.A.U. approved the *Statute of the Compliance Officer and operation of the Ethics Channel,* which regulates the configuration of the Group's *Compliance Officer*, his/her functions and the procedures to be followed for the exercise thereof, guaranteeing the necessary autonomy of the function of supervising the operation of and compliance with the Group's Criminal Risk Organization and Management Model.

In this regard, and in accordance with the provisions of the Regulations of the Board of Directors of MASMOVIL IBERCOM, S.A.U., the *Compliance Officer* must inform the Audit and Control

Committee in the case of any irregularity of potential transcendence, especially financial and accounting irregularities within the Group.

In line with the provisions of Article 31 bis section 5.6 of the Criminal Code and as a sign of the commitment of the Board of Directors to the fight against fraud and corruption and the prevention of crimes, in the financial year 2019 this body approved the performance of a verification of the organization and control model for criminal risks by an external expert independent from the Group, ended in February 2020 with the issue of a report concluding that the same complies with the general requirements established in the legal system, being an effective model from the point of view of criminal legislation.

Contributions to associations:

The main contributions to associations are related to sectoral or business associations, such as “Asociación de Operadores para la Portabilidad”, “Asociación de Operadores para la Portabilidad Móvil”, “Autocontrol Asociación”, “Asociación Española para la Digitalización”, among other minor contributions.

No contributions or payments were made to political parties or associations within or outside the European Union during the financial year 2020.

- Since LORCA JVco Ltd. got control:

Contributions to associations (in euros)	**4Q-20**
	85,624

- Of the Group companies in 2020 and 2019 (including data since Lorca JVco Ltd. got control, as mentioned above):

Contributions to associations (in euros)	**2020**	**2019**
	561,631	460,001

7. Information relating to the company

7.1 Company’s impact on employment and local development

<u>“MASventures”</u>:

The Group is in constant contact with innovation and digital developments. In this regard, 2019 saw the launch (together with Inveready, a Spanish investment group) of the” MASventures” accelerator to promote innovative projects in the new technologies sector and foster entrepreneurship in Spain. This accelerator acts as the Group’s innovation engine and promotes commercial relations and investment in *start-ups* focused on the new technologies sector.

In 2020, the essence of the program is reaffirmed, but seeking to internationalize it and placing greater focus on the Group’s areas of interest such as 5G. A pilot program is currently underway with one of the finalist’ *startups* at the “South Summit” in “Connectivity and Data”, “Aircision”, a Dutch start-up with a technology developed at CERN (“European Council for Nuclear Research”) that enables laser connection between points in the mobile network (backhaul) and that could solve the traditional problems inherent to this technology.

Also, in 2020, the investment in a *startup*, "Kenmei Technologies", a Spanish company founded in Valencia by software and telecommunications experts focused on *Data Intelligence* for the automation of decision making, was approved. Through its ADELE platform, based on AI and Big Data, they enable operators to automate network management and operation processes, thus offering a better quality of service. In the first quarter of 2021, the investment in this start-up materialized with a 5.86% stake.

Research chairs and university scholarships:

MASMOVIL Group and the "Carlos III University of Madrid" (UC3M) have launched the third edition of their Research Chair. Through this educational initiative, the telecommunications company will provide grants for six projects by students at the center with the aim of improving the user experience and optimising processes through innovation in artificial intelligence, as well as supporting the talent of young engineers.

In this edition, MASMOVIL will promote and finance several lines of research, including the following:

- Process optimization and user experience improvement programs: three grants will be dedicated to the improvement, development and optimization of processes to enable intelligent call-centre management or more efficient data processing in order to increase the satisfaction of the Group's customers.
- Innovation programs: three grants will be promoted for the development of Artificial Intelligence applications and tools to improve consumption estimates, customer profiling or sales optimization.

The students at this university centre will have at their disposal all the materials and resources necessary for the proper development of the research, as well as regular conferences and meetings in order to carry out a detailed monitoring of the evolution of each of the initiatives.

The duration of the scholarship covers the period from November 2020 to June 2021 and will be carried out on a mutually beneficial basis with the assistance of qualified staff from both the university and external advisors.

This alliance with UC3M is, for yet another year, a milestone of great importance and relevance for the Group, as it reinforces the work carried out so far in the past two editions and boosts the firm's commitment to the training of young Spaniards.

The Group also has an agreement with the "Universidad-Empresa Foundation" for the incorporation of students from different universities into the Group's companies (including the "Universidad Rey Juan Carlos" and the "Universidad Politécnica de Madrid").

Network roll-out in rural areas:

MASMOVIL is aware of the increasing importance of connectivity to achieve a uniform development of the planet. Quality internet promotes and enables economic development, culture, access to information, and therefore social equality and improvement regardless of the corner of the world you are in.

MASMOVIL Mission is to connect people with the latest technology available and ensure the best customer experience; while the Vision is to be the telecommunications company with the highest customer satisfaction in Europe and a positive impact on people, shareholders and the planet, prioritizing long-term value over short-term profits.

In this context, bridging the digital divide in Spanish towns with less than 20,000 inhabitants and especially in the so-called “rural Spain”, with towns of less than 10,000 inhabitants, is one of the Group’s priorities through investment in high-quality fibre. In fact, the deployment of its own fibre network in rural areas accounts for the majority of our fibre deployment in the Group.

In this regard, in 2019 the Group deployed networks that enabled it to reach 474,000 new homes in towns with less than 20,000 inhabitants, as part of an investment plan that has enabled it to increase this figure by a further 309,000 homes in 2020.

Thus, by the end of 2020, the Group had more than 2 million fibre Building Units (BUs), deployed and owned by the company, of which 73% were deployed in towns with less than 20,000 inhabitants. This own fibre network coverage in towns with less than 20,000 inhabitants is almost 5 times higher by the end of 2020 than in 2017.

The commitment to reducing the digital divide and the development of rural Spain has also led to invest heavily in bringing connectivity to municipalities where, until the MASMOVIL Group deployed its network, there was no other national telecommunications operator offering fibre services.

The total number of BUs in this type of municipalities, with no previous fibre offer by another national operator, exceeded 258,000 units by the end of 2020 (12.5% of the Group’s own network deployed). Of these BUs, 72% are located in rural areas and in municipalities with a population of less than 8,000 inhabitants.

This illustrates the clear focus on connecting “rural Spain” as opposed to the big cities where most operators are present. These figures make the Group, after the incumbent operator and market leader, the second operator in Spain with the greatest presence in rural areas, with approximately 50% more BUs deployed in towns with less than 8,000 inhabitants than the next operator.

As part of this fibre roll-out in rural Spain, the MASMOVIL Group also participates in the “PEBA Plan” (“New Generation Broadband Extension Program”) of the Spanish Ministry of Economy and Finance. Under this project, grants are being called for the development of ultra-fast networks in Spain, a strategy aligned with the Government’s decision to bring the progress of the infrastructures and services of the Digital Society to all citizens, as well as to achieve the objectives of the “Digital Agenda” to achieve universal broadband coverage at speeds of more than 100 megabits per second.

As part of the "PEBA Plan", the Government provides the list of municipalities that suffer from the digital divide and that, in addition, do not have plans for quality internet access network coverage within a 3-year period.

As part of this plan, the MASMOVIL Group has deployed a fibre network - in areas qualified as "PEBA" - covering 422 municipalities that are already commercially enabled to offer the service. In addition to these, fibre has also been deployed in a further 30-40 municipalities which, once all the necessary formalities have been completed, will also become commercially available, bringing the total number of these municipalities to over 450.

In these municipalities, the Group's network coverage exceeds 576,000 potentially connectible BUs, which will soon reach 600,000 BUs when the 30-40 municipalities mentioned above are ready to offer the service.

These 600,000 BUs represent c.30% of the MASMOVIL Group's own directly deployed network, which, in the Group's opinion, once again proves the strong commitment to the rural environment and the reduction of the digital divide in Spain.

As a result of the network deployment in these most disadvantaged areas and populations, there are now close to 119,000 families who have gained access to quality internet, reducing the digital divide and improving their quality of life.

Of these 119,000 households, more than 60,000 are direct customers of the MASMOVIL Group, representing 3% of the Group's total FTTH fibre customers. The remainder are customers of other telecommunications operators who benefit from wholesale agreements to use the network.

This means, therefore, that the MASMOVIL Group also favours the diversity of commercial offers in these "PEBA" areas and allows the inhabitants of these towns to access a wide range of services and prices from other operators whose commercial products are supported by the quality of the MASMOVIL Group's network.

<u>Local development (5G pilot projects)</u>:

The Group is participating in two projects and their respective use cases, organized by Red.es for the development and implementation of 5G technology in the communities of Catalonia and the Basque Country. The participation consists of the temporary assignment of 5G spectrum in the 3.5MHz band necessary for the realization of these use cases, as well as the radio-electric certifications associated with the implementation of the sites for the execution of the pilot.

These projects will provide the industrial fabric and society in general with the best 5G connectivity, which provides greater precision, capacity and speed.

Furthermore, the Group's alliance with public entities, operators and private organizations confirms the effectiveness and the good results achieved thanks to the collaboration between the various agents to generate a positive impact on society, companies and administrations.

The project implemented in Catalonia consists of seven use cases based on this technology aimed at developing holographic solutions for the education sector: autonomous and connected transport vehicles for industrial environments, immersive remote shopping experiences in urban markets, as well as the optimization of mobility, control and management of areas with a large influx of people, among others. It will also facilitate the development of next-generation networks for public safety and emergency management in Barcelona, as well as the application of 5G in remote television broadcasting via mobile devices.

A “Temporary Joint Venture” (“UTE”) was set up to carry out the project in the Basque Country, comprising more than 20 organizations with a common purpose: to make the Basque Country a pioneer in 5G technology. The use cases focus on mobility, energy, industry and cybersecurity: providing internet access to users on buses and video surveillance services, remote assistance in hard-to-reach electrical infrastructures and monitoring industrial production processes. To ensure the cybersecurity of the 5G pilot projects, relevant activities are carried out in parallel in all processes involved.

In addition, during 2020 the Group has started working, together with other companies and organizations, on the Strategic Plan for the “Digitalisation of Urban Traffic and the Reduction of its Emissions” (DiTRA) through the use of 5G technology.

<u>Contributions made to foundations, non-profit organizations and health care institutions:</u>

On October 2, 2020, the Board of Directors of MASMOVIL IBERCOM, S.A.U., as part of the Company’s ongoing efforts to reduce as far as possible the possibility of corrupt practices, approved the MASMOVIL Group’s Donations and Sponsorship Policy.

During 2020, the Group increased its support for sports organizations by formalizing sponsorships with various basketball, indoor soccer, volleyball, soccer, handball and hockey organizations.

In addition to the donations made to respond to emergencies arising during the months of strict lockdown, such as the donation of 1 million protective face coverings for a total amount of 760,000 euros and 2,400 connected devices for a total amount of 307,874 euros (see section 3 of this report), in 2020 the Group donated 4,000 euros to the camp promoted by the “También Foundation”, a summer camp that welcomes children with severe disabilities to enjoy sports adapted to their needs, workshops and excursions on an equal basis. In the 2020 edition, about twenty children, mostly with disabilities, lived together with children without disabilities, a great technical team and volunteers who made inclusion and equality possible.

Likewise, for this same association, three mobile devices worth 830 euros were given to the winners of the 9th popular race for inclusion in sport.

The Group also made a donation of 1,000 euros to the “Fundación for Biomedical Research del Hospital Universitario La Paz”.

- Since LORCA JVco Ltd. took control: no contributions have been made to foundations, non-profit organizations and health institutions since said change of control.

- Of the Group companies in 2020 and 2019 (including data since Lorca JVco Ltd. got control, as mentioned above):

	2020	2019
Contributions made to foundations and non-profit organizations	5,830	19,000
Contributions to health institutions	1,067,874	0
Total	**1,073,704**	**19,000**

Internal volunteering:

- Employee donations to the "Innicia Network": during lockdown, the Group's employees, individually, through their donations, helped more than 100 families to cover their basic needs for food, hygiene and medication.

- Creation of the "MASolidarios" internal solidarity channel: the purpose of this channel is for employees to have a space where they can directly share any social initiative in which they are involved, or for which they have an affinity, and which they wish to promote among their colleagues and company managers. The "MASolidarios" digital channel is hosted on the Webex internal communication tool, which allows immediate accessibility to all Group employees.

This channel was advertised through internal communication actions and during 2020, more than 25 social initiatives proposed by the employees themselves were recorded and three months after its creation, 1,019 people were already registered in this channel.

The proposed themes of the channel are biodiversity and environment, diverse skills, vulnerable groups, local business development, rural environment, animal protection and care.

In addition, a mailbox has been set up for contact with the ESG (Environmental, Social & Governance) team where suggestions for improvement, ideas, projects and questions from employees are received.

- Christmas food collection campaign at the MASMOVIL Group headquarters: during Christmas 2020, a space was set up in the canteen area for employees who wished to bring non-perishable foods and basic hygiene products, which were subsequently donated to the BEA ("Banco Español de Alimentos" "Spanish Food Bank").

In the 2020 Christmas campaign, the Group's employees also had the option of donating their Christmas basket for social purposes, which raised more than 7,000 Euros for the "Juan XXIII Roncalli Foundation", which promotes the social and occupational integration of people with disabilities.

7.2 Suppliers

Supply chain management is important for the proper functioning of the Company and the various companies that make up the Group. In this respect, these suppliers undertake to endorse the principles and values set out in the Code of Ethics and are responsible for adhering to the Suppliers' Code of Ethics, which sets out the various criteria that suppliers must comply with in relation to:

- Human rights: reject any kind of forced labour, use of child labour, promote non-discrimination and equal opportunities, respect freedom of expression at all times, etc.
- Labour rights: All workers employed by a supplier or subcontractor shall have a contract in accordance with applicable labour laws at all times and the supplier shall not engage in any practices that violate the law and compliance with the law.
- Health and safety: the supplier shall ensure the protection of its workers by providing them with health and safety information and training including emergency situations and first aid, providing workers with adequate protective equipment, etc.
- Corruption and bribery compliance: through adherence to the Group's Crime Prevention, Anti-Fraud and Corruption Policy; and
- Environmental and sustainability aspects: the supplier commits to have an environmental management system with targets and metrics (such as "ISO14001" or equivalent), to take responsibility for reducing the negative environmental impact of its operations, and to strive to maintain and increase biodiversity and limit water consumption, especially in resource-poor areas, etc.

As stipulated in the Suppliers' Code of Ethics, any clear breach of the requirements established in the Code entitles the Group to immediately terminate all contracts it has signed with the Supplier.

The Board of Directors of MASMOVIL IBERCOM, S.A.U., at its meeting held on 2 October 2020, approved the modification to the Group's Purchasing Policy, in order to reinforce its commitment to the protection of the environment and public health, the conservation of natural resources, the reduction of the environmental impact of hazardous materials and the reduction of CO_2 emissions.

The Procurement Policy aims to establish a global framework for the control and management of risks arising from the procurement of equipment and materials, as well as the contracting of works and services throughout the Group.

As stipulated in the Policy, the Purchasing Department is responsible for maintaining an active relationship with suppliers and ensuring control of the risks associated with them, with the Area requesting a service or product being responsible for monitoring compliance with contractual conditions and service level agreements, where applicable.

In accordance with the aforementioned policy, all suppliers working with MASMOVIL must be homologated. This process is managed through an external tool whereby the following documentation is requested: adherence to the Suppliers' Code of Ethics, financial statements for the last two years, certificate of being up to date with Social Security and tax payments, breakdown of staff, environmental certificates, among others.

As part of the homologation process, in addition to the documentation requested, the Purchasing Department carries out a qualitative assessment that in some specific cases includes visits to suppliers' facilities, especially in the case of personnel-intensive suppliers and/or suppliers with a potential environmental impact.

In 2020, a total of 563 suppliers have been homologated (compared to 367 in 2019), for meeting all criteria set by the Group and described in its policies and plans, including social and environmental criteria.

On the occasion of the acquisitions of companies and businesses carried out during 2020, the Group has carried out a supplier analysis process to check for matches with existing suppliers and to evaluate the remaining suppliers.

The risks related to the supply chain that had been identified in the Corporate Risks Map for 2019 (high dependence on certain suppliers in key operations) have been mitigated with several actions carried out throughout 2019 and 2020. These risks continue to be monitored as part of the ongoing process of updating the Corporate Risks Map and, among the actions put in place to mitigate these risks, the following are worth to mention:

- Review of the purchasing Policy and Procedures.
- Renegotiation of contracts with key suppliers.
- Adding early termination clauses in some contracts.
- Negotiation with backup providers in case there is any need for change.
- In 2019, the Executive Committee approved a Contingency Plan for suppliers potentially subject to international blockades or sanctions. This plan has been updated in 2020.
- Analysis of alternative logistics models carried out by the Purchasing Department.

7.3 Customers

The Group continues to make customer satisfaction a priority goal. The stated objective is to make the Group the leader in customer satisfaction in the telecommunications sector in Europe. The Group has thus raised its ambition compared to previous years and seeks to achieve differentiation through the non-replicable factor of quality of service.

In line with this desire to continue to maintain the highest customer satisfaction in the market, the Group set a company target for 2019 and 2020 to improve the customer experience in its mobile and convergent services. During 2020, efforts were focused on reducing the number of *issue calls* from customers, whether due to Group or non-Group causes. From January to December, the target of reducing this problem-related customer contact rate by 30% was achieved.

In addition, during the second half of the year the focus was shifted and moved beyond customer contact to proactively finding problems. Focusing efforts on exploring the performance of the Group's different brands in some 15 service dimensions. These range from mobile and fixed network performance (e.g., average download speed or number of outages on the fixed line) to the reliability of customer processes (e.g., sudden and unwanted billing variations). The aim is to attack the root causes, regardless of whether the customer contacts customer services or not.

To ensure the implementation of all the improvement measures associated with this new approach, a specific group has been set up comprising senior staff from all the company's departments and has been provided with specific resources for analysis and implementation control. This new unit is located under the CEO's Deputy under the name "Customer Experience Cockpit".

Information security and the protection of personal data, i.e., the privacy of our customers, is one of the most important aspects for the Group.

In this regard, the principles of privacy by design and by default set out in Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016, on the protection of individuals with regard to the processing of personal data and on the free movement of such data ("GDPR") are taken into account both in normal operations and in the development of new services.

To this end, the Masmovil Group appointed a Data Protection Officer ("DPO") for all Group companies with the entry into effect of the GDPR in April 2018. Although this figure was outsourced in the 2019 financial year, during the 2020 financial year, the decision has been made to reinternalize it, highlighting the 360º vision in all Group processes that an internal DPO has, in addition to the following advantages:

- Informing and advising on the design of the initiatives proposed within the Group in an organic manner.
- On-site monitoring of compliance with the provisions of the GDPR.
- Increased control over organizational functions, such as the creation of a register of processing activities, review of processing operations and impact assessments.
- Facility to carry out research functions.
- Accessibility to the entire organization to carry out the consultative function.

The appointment of the new DPO was carried out by means of a communication to the Spanish Data Protection Agency on 23 September 2020. In accordance with article 39 of the GDPR, the DPO is assigned the functions provided for in the GDPR and in the applicable regulations, as well as any others that may be internally entrusted to this post. These functions have been approved by the internal bodies of the Group and reported to the Board of Directors of MASMOVIL IBERCOM, S.A.U.

During 2020, quarterly privacy committees have been established, in the framework of which updates to various policies have been approved, providing a forum for two-way communication between all departments and the DPO.

The information provided to customers is also being improved by clarifying and simplifying the privacy policies aimed at customers and users of the Group's services. Work is also underway to improve the handling of rights and the management of the consents provided by our customers in accordance with the guidelines of the "Spanish Data Protection Agency" ("AEPD") and the "European Data Protection Committee".

7.3.1 Satisfaction

Knowing the degree of customer satisfaction is fundamental for the Group. To this end, studies are carried out for each of its brands to assess customer satisfaction at a general level and at a particular level with different elements, with the aim of detecting areas for improvement. These studies are carried out on a quarterly basis, analyzing the customers of the different brands: Yoigo, MASMOVIL and Pepephone.

In the surveys conducted in 2020, all the Group's brands continued to be leaders in customer satisfaction within their segment, maintaining the very high levels of satisfaction recorded in previous years and even improving them, in the three main brands, and in both segments.

Details of the evolution of satisfaction for the Group's brands between 2020 and 2019 are as follows (according to data published by "GFK" consultancy firm in its "Telco Market Satisfaction 2020" report):

		2020	2019
CONVERGENCE	***Yoigo***	8.00	8.00
	MASMOVIL	8.00	7.80
	Pepephone	9.00	9.00
MOBILE ONLY	***Yoigo***	8.30	8.20
	MASMOVIL	8.30	8.20
	Pepephone	9.20	9.00

Scale of 0 to 10 (0 = Very dissatisfied, 10 = Very satisfied)

In other words, the Group continues to be the market leader in customer satisfaction, maintaining its good results and the margin over the competition.

In the corporate segment, the Group has a different process for measuring satisfaction through an automatic survey in which customers rate the service received and the level of resolution at the end of the call.

7.3.2 Customer services

All the Group's brands offer their customers agent-assisted customer service as well as different digital channels where customers can resolve their queries and perform different self-service functions; Web channel, APP, Chat and the IVR, developed for the Yoigo and MASMOVIL brands with artificial intelligence and open questions, using natural language, for a better understanding of the customer's intention and needs. This customer service is free of charge, with no access or administration fees for all brands.

With the growing importance of digital channels, and an increasingly digital society, the Group's brands are working to implement new technologies that promote omni-channel delivery, so that customers find a similar and equally rewarding experience, whichever channel they choose. Given the importance of the services offered by the Group in the daily activity of its customers, it offers ample opening hours for all brands, even 24 hours a day 7 days a week for the Yoigo and MASMOVIL brands.

In order to better understand the reasons for customer churn rate and dissatisfaction, the Group has specific platforms to address possible reasons for churn and to retain these customers to the greatest possible extent.

In the case of the Corporate segment, customers also have access to free telephone and e-mail support. In the specific case of cable operators, they also have a self-management website.

7.3.3 Claims

The Group is strongly committed to its customers and customer focus is one of its corporate values, therefore it provides its customers with various mechanisms to resolve any dissatisfaction with the service provided. For this reason, the Group maintains a system of satisfaction surveys conducted by third parties on a quarterly basis, and customers can evaluate the service offered through all channels.

All the Group's customers can file a complaint through the different channels: from the website, via chat, in person at the Group's shops or through an agent on the telephone channel.

All Group brands handle these complaints following the same process. In addition, customers can always report any incident or disagreement with any of the contracted services through any official body such as consumer offices, arbitration boards, the State Secretariat for Digital Advancement, etc.

The customer service complaints department of each brand is the recipient of all incidents and/or non-conformities and is responsible for registering each complaint received in the Group's internal system. Thanks to this system, the Group has control over the input, resolution and resolution times for each of the complaints registered.

The Group deals with complaints through various channels, including e-mail, as the most frequent, registered post, the electronic headquarters of each of the official bodies mentioned, and by telephone. However, as a service quality improvement, the Group is implementing online communication within each of the customers' private areas.

Number of claims and complaints received:

- Since LORCA JVco Ltd. got control:

Complaints Residential Area (*)		***4Q-20***
Number of open complaints	***Mobile lines***	*47,901*
	Landlines	*13,495*
Total open claims		***61,396***
% of total customers (postpaid & broadband)		***0.73%***
Number of complaints satisfactorily resolved	***Mobile lines***	*32,126*
	Landlines	*7,866*
Total claims settled		***39,992***
% of total customers (postpaid & broadband)		***0.56%***

( )Yoigo, MASMOVIL and Pepephone*

Complaints Business and Cable Operators Area	***4Q-20***
Number of open complaints	*1,515*
Number of complaints closed at the end of the quarter	*1,571*

- Of the Group companies in 2020 and 2019 (including data since Lorca JVco Ltd. took control, as mentioned above):

Complaints Residential Area (*)		2020	2019
Number of open complaints	Mobile lines	167,856	150,684
	Landlines	47,395	61,061
Total open claims		215,251	211,745
% of total customers (postpaid & broadband)		2.6%	3.0%
Number of complaints satisfactorily resolved	Mobile lines	110,696	110,597
	Landlines	28,372	39,725
Total claims settled		139,068	150,322
% of total customers (postpaid & broadband)		1.7%	2.1%

(*) Yoigo, MASMOVIL and Pepephone

The main reason for the increase in open complaints in the residential area is due to the increase in the customer base which, across all the Group's brands, has grown at a higher rate than the number of complaints received.

Complaints Business and Cable Operators Area	2020	2019
Number of open complaints	7,052	8,740
Number of complaints closed at year-end	6,753	8,481

7.3.4 Advertising and responsible consumption

In line with its values and in accordance with the principles set out in its policies, the Group ensures the transparency of its products and services. The same principle of transparency is applied in the implementation of responsible advertising articulated through a control procedure by means of the "*copyadvice*" carried out by "Autocontrol".

During 2020 the Group did not receive any complaints from "Autocontrol".

Similarly, all the Group's brands promote the responsible use of technology in the various channels of communication with their customers and non-customers.

The Group uses its social networks on a daily basis to illustrate and educate customers and followers on the use of responsible applications ("Apps") and the advantages these generate for customers, also helping to disseminate the campaigns generated by the AEPD.

In the case of the Yoigo brand, its blog is the channel through which it offers advice on the digital world in the different sections of "guides and tutorials", "technology", "entertainment", "internet", so that customers and non-customers know their advantages and risks. Having created the "Observatory for a Safer Internet" at Yoigo with the aim of informing and training in the appropriate use of technology in a safe way.

7.3.5 Clear tariffs

The Group's priority is to ensure predictable billing for its customers by following the principles of clarity, transparency and customer communication.

At Yoigo, all convergent and contract-based tariffs have unlimited minutes, and the speed reduction is automatic when the customer uses up their data allowance; until then, they receive various consumption warnings. In addition, the tariffs have roaming control, i.e., when a customer leaves the agreement area, traffic is automatically blocked until explicit permission is given after the customer has been informed of the costs of the tariffs applied abroad. Customers also have access to all the information for consultation on the website and via the App. Moreover, during 2020 a very significant part of the contract-based customer has switched to unlimited Gb on their mobile phones, which only helps contribute to greater predictability and transparency, as customers do not have to keep track of their Gb consumption.

MASMOVIL also offers unlimited minutes and automatic speed reduction for all its convergent tariffs. The main focus of the brand is for the customer to have the same cost on their bill every month, so promotions are minimized. As with Yoigo, customers can consult the aspects related to the services provided on the website and App.

In the case of Pepephone, existing customers receive tariff upgrades such as increased Gb or free SMS without any impact on the price and without the need for them to request it. In fact, since 2019 it has been a pioneer in the market by reducing the amount payable by convergent customers depending on the number of years they have been with the brand, as a reward for their loyalty. It has also been a pioneer in the proactive resolution of potential customer incidents. For example, if there is an incident with the fibre service, Pepephone automatically loads Gb to the customer's mobile phone so that they can continue their digital life - teleworking or e-learning - without being concerned.

In the case of business customers, both companies and cable operators have sales representatives assigned to them to resolve any doubts relating to their tariffs.

7.4 Tax information

In 2020, the Group complied with its tax obligations as a commercial company (see consolidated financial statements for further details).

	4Q-20
Profits obtained (thousands of Euros)	-66,182
Taxes on profits paid (thousands of euros)	-
Public subsidies received (thousands of euros)	*2,771*

Table of contents required by law

General Areas		Related GRI standards[6]	Critical materiality	Reference to the chapter where reported	Reason for omission
Business model	Brief description of the Group's business model (business environment and organization) Geographical presence Objectives and strategies of the organization The main factors and trends that may affect its future evolution	102-2 Activities, brands, products and services 102-4 Location of operations 102-6 Markets served	S	1.2 Business Model 1.2.1 Areas of activity 1.2. 2 Organization and structure	
General	Mention in the report of the national, European or international *reporting* framework used for the selection of non-financial key performance indicators included in each of the sections.			About this report	
Management approach	A description of the policies applied by the Group with regard to these issues, which will include the due diligence procedures applied for the identification, assessment, prevention and mitigation of significant risks and impacts and for the verification and control, including the measures.	103Management approach		2. Management of non-financial aspects 3. Information on environmental and sustainability issues 4. Information on social and personnel-related issues 5. Informationon respect for human rights 6. Information to the fight against corruption and bribery 7. Information relating to the company	
	The results of these policies, necessarily including pertinent key non-financial indicators that enable to monitor and assess the progress and which favour comparability between companies and sectors, in accordance with the national, European and international frameworks of reference used.				
	The main risks related to those issues linked to the Group's activities, including, where relevant and proportionate, its trade relations, products or services that may have negative effects in these fields, and how the Group manages those risks, explaining the procedures used to detect and evaluate them in accordance with the national, European and international frameworks of reference used for each area. Information should be included on the impacts detected, providing a breakdown thereof, in particular on the major risks in the short, medium and long terms.	102-15 Key impacts, risks, and opportunities		2.1.1 Main risks	

			Fully or partially related GRI standards	Critical materiality	Reference to the chapter where reported	Reason for omission
Environmental issues	Environmental management	Current and predictable effects of the Company's activities on the environment and, where appropriate, on health and safety.	308-2 Negative environmental impacts in the supply chain and actions taken.	N	3.1. Environmental management	The MASMOVIL Group's activity has a non-relevant environmental impact. Nevertheless, the management of these aspects and their indicators are reported.
		Environmental assessment or certification procedures	103 Environmental management approach		3.1. Environmental management	
		Resources dedicated to the prevention of environmental risks	103 Environmental management approach		3.1. Environmental management	

		Application of the precautionary principle	102-11 Precautionary principle or approach		3.1. Environmental management	
		Amount of provisions and guarantees for environmental risks	103 Environmental management approach		3.1. Environmental management	
	Contamination	Measures to prevent, reduce or repair carbon emissions which seriously affect the environment (also including light and noise pollution).	103 Environmental management approach 305- 5 The reduction of GHG emissions		3..4. Climate Change	
	Circular economy and prevention and management of waste	Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste.	306- 2 Waste by type and method of disposal		3.3 Circular economy and prevention and management of waste	
		Actions to combat food waste	Non-material		n/a	
	Sustainable use of resources	Water consumption and water supply in accordance with the local limitations	303- 5 Water consumption		3.2. Sustainable use of resources	
		Reception of raw materials	Non-material		n/a	
		Measures taken to improve the efficiency of their use	103 Environmental management approach		3..4. Climate Change	
		Direct and indirect energy consumption	302-1 Energy consumption within the organization 302-2 Energy consumption outside the organization 302-3 Energy intensity		3..4. Climate Change	
		Measures taken to improve energy efficiency	103 Environmental management approach		3..4. Climate Change	
		Use of renewable energy	103 Environmental management approach		3..4. Climate Change	
	Climate change	Important elements of the greenhouse gas emissions generated as a result of Company's activities, including the use of goods and services.	305-1 Direct (Scope 1) GHG emissions 305-2 Indirect GHG emissions when generating energy (scope 2)		3..4. Climate Change	
		Measures taken to adapt to the consequences of climate change;	103 Environmental management approach		3..4. Climate Change	
		Reduction targets established voluntarily in the medium and long term for reducing greenhouse gas emissions and the measures implemented for this purpose.	103 Environmental management approach 305- 5 The reduction of GHG emissions		3..4. Climate Change	
	Biodiversity protection	Measures taken to preserve or restore biodiversity	103 Environmental management approach		3..4. Climate Change	
		Impacts caused by activities or operations in protected areas	103 Environmental management approach		3..4. Climate Change	

			Fully or partially related GRI standards	Critical materiality	Reference to the chapter where reported	Reason for omission
Social and personnel-related issues	Employment	Total number and distribution of employees by gender, age, country and occupational category	102-8 Information on employees and other workers 405-1 Diversity of governance bodies and employees	S	4. Social and personnel-related issues	
		Total number and distribution of types of employment contracts	102-8 Information on employees and other workers	S	4. Social and personnel-related issues	
		Average annual number of permanent contracts, temporary contracts and part-time contracts by gender, age and occupational classification,	102-8 Information on employees and other workers 405-1 Diversity of governance bodies and employees	S	4. Social and personnel-related issues	
		Number of redundancies according to gender, age and professional classification	401-1 New employee hires and employee turnover	S	4. Social and personnel-related issues	
		Wage gap	405-2 Ratio of basic salary and remuneration of women to men	S	4. Social and personnel-related issues	
		Remuneration for equal or average jobs in the company	405-2 Ratio of basic salary and remuneration of women to men	S	4. Social and personnel-related issues	
		Average remuneration of board members and directors, including variable remuneration, per diem, indemnities, payment into long-term savings forecast systems and any other perception, broken down by gender.	103 Employment management approach	S	4. Social and personnel-related issues	
		Implementation of work disengagement policies	103 Employment management approach	N	4.1 Talent development	
		Employees with disabilities	405-1 Diversity of governance bodies and employees	N	4. Social and personnel-related issues	
	Organization of work	Organization of working time	103 Employment management approach	N	4. Social and personnel-related issues	The MASMOVIL Group's activity does not pose significant health risks for its employees
		Number of hours of absenteeism	103 Employment management approach	N	4.3 Safety, Health and Well-being	
		Measures destined to facilitate the enjoyment of family reconciliation and encourage joint responsibility of the same by both parents	103 Employment management approach	N	4. Social and personnel-related issues	
	Health and Safety	Health and Safety at work conditions	103 Occupational health and safety management approach	N	4.3 Safety, Health and Well-being	The MASMOVIL Group's activity does not pose significant health risks for its employees.
		Number of accidents at work, in particular their frequency and severity by gender	403-9 Injuries due to occupational accident	N	4.3 Safety, Health and Well-being	
		Occupational diseases by gender	403-10 Occupational ailments and illnesses	N	4.3 Safety, Health and Well-being	
	Social relations	Organization of social dialogue, including procedures for informing and consulting staff and negotiating with them	103 Management approach Worker-company relations	N	There is no record of the creation of a formal worker-management committee.	
		Percentage of employees covered by collective bargaining by country	102-41 Collective bargaining agreements	N	All Group employees are covered by different collective bargaining	

		The balance of the collective bargaining agreements, particularly in the field of health and safety at work	403-8 Workers covered by an occupational safety and health management system	N	agreements depending on the region: Agreement for offices and firms in the Madrid, Barcelona, Gipuzkoa and Consultancy Agreement	
	Training	Policies implemented in the field of training	103 Management approach Training and education	S	4.2 Internal employee training	
		Total number of training hours broken down by professional categories.	404-1 Average annual number of hours of training per employee	S	4.2 Internal employee training	
	Equality	Measures taken to promote equal treatment and opportunities for women and men	103 Management Approach Diversity and equal opportunities	S	4. Social and personnel-related issues	
		Equality plans (Chapter III of Organic Law 3/2007, of March 22, for the effective equality of women and men), measures taken to promote employment, protocols against sexual and gender-based harassment.	103 Management Approach Diversity and equal opportunities	S	4. Social and personnel-related issues	
		Integration and universal accessibility of persons with disabilities	103 Management Approach Diversity and equal opportunities	N	4. Social and personnel-related issues	
		Anti-discrimination and, where appropriate, diversity management policy	103 Management Approach Diversity and equal opportunities	S	4. Social and personnel-related issues	

		Fully or partially related GRI standards	Critical materiality	Reference to the chapter where reported	Reason for omission
Information on respect for human rights	Implementation of human rights due diligence procedures Prevention of risks of violation of human rights and, where appropriate, measures to mitigate, manage and repair possible abuses	102-16 Values, principles, standards and codes of conduct 102-17 Advisory mechanisms and ethical concerns	N	5. Information on respect for human rights	
	Complaints of human rights violations	406-1 Incidents of discrimination and corrective actions taken	N	5. Information on respect for human rights	
	Promotion and compliance with the provisions of the fundamental conventions of the International Labor Organization with regard to freedom of association and the right to collective bargaining.	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk. 408-1 Operations and suppliers with significant risk of being involved in child labour. 409-1 Operations and suppliers with significant risk of being involved in forced or compulsory labour	N	5. Information on respect for human rights	
	Elimination of discrimination in employment and occupation	406-1 Incidents of discrimination and corrective actions taken	N	5. Information on respect for human rights	
	Elimination of forced or compulsory labour	409-1 Operations and suppliers with significant risk of being involved in forced or compulsory labour	N	5. Information on respect for human rights	
	Promote the effective abolition of child labour	408-1 Operations and suppliers with significant risk of being involved in child labour	N	5. Information on respect for human rights	

		Fully or partially related GRI standards	Critical materiality	Reference to the chapter where reported	Reason for omission
Information relating to the fight against corruption and bribery	Measures taken to prevent corruption and bribery	102-16 Values, principles, standards and codes of conduct 102-17 Advisory mechanisms and ethical concerns 205-1 Operations assessed for corruption-related risks	S	6. Information relating to the Fight against corruption and bribery	
	Measures to combat money laundering	205-2 Communication and training about anti-corruption policies and procedures	S	6. Information relating to the Fight against corruption and bribery	
	Contributions made to foundations and non-profit organizations	413-1 Operations with local community engagement, impact assessments, and development programs	N	6. Information relating to the Fight against corruption and bribery	

			Fully or partially related GRI standards	Critical materiality	Reference to the chapter where reported	Reason for omission
Information relating to the company	The company's commitments to sustainable development	Impact of the company's activity on employment and local development	413-1 Operations with local community engagement, impact assessments, and development programs	N	2.2.Stakeholder relations	
		Impact of the company's activity on local populations and the territory	103 Management Approach Local communities	N	2.5. MASMOVIL Group's contribution to the Sustainable Development Goals (SDGs)	
		Relations with the actors of local communities and the dialog modalities used with these	102-43 Approach to stakeholder engagement 413-1 Operations with local community engagement, impact assessments, and development programs	S	2.2.Stakeholder relations	
		Partnership or sponsorship actions	102-12 External initiatives 102-13 Membership of associations	N	2.5. MASMOVIL Group's contribution to the Sustainable Development Goals (SDGs)	
	Subcontracting and suppliers	The inclusion in the purchasing policy of social issues, gender equality and environmental issues	308-1 New suppliers who have passed the selection process in accordance with environmental criteria. 414-1 New suppliers who have passed the selection process in accordance with social criteria	S	7.2. Suppliers	
		Consideration in relations with suppliers and subcontractors regarding their social and environmental responsibility	103 Suppliers management approach	S	7.2. Suppliers	
		Monitoring and audit systems and results of the same	103 Suppliers management approach	N	7.2. Suppliers	
	Consumers	Consumer health and safety measures	416-1 Assessment of the health and safety impacts of product or service categories	S	7.3. Customers	
		Complaint's systems, Complaints received and resolution of complaints	103 Management approach Customer privacy 416-2 Cases of non-compliance concerning health and safety impacts of product and service categories	S	7.3..3 Claims	
	Tax information	Profits obtained country by country	103 Management approach Economic performance	S	7.4. Tax information	
		Income taxes paid	103 Management approach Economic performance	S	7.4. Tax information	
		Public subsidies received	201-4 Financial assistance received from the government	S	7.4. Tax information	