Másmóvil Ibercom, S.A. and subsidiaries

Condensed Consolidated Interim Financial Statements

30 June 2020

Consolidated Interim Management Report

2020

(With Independent Auditor's Limited Review Report thereon)

(Free translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail)

KPMG Auditores, S.L.
Paseo de la Castellana, 259-C
28046 Madrid

Limited Review on the Condensed Consolidated Interim Financial Statements

(Translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail.)

To the Shareholders of Másmóvil Ibercom, S.A., at the request of the board of directors

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the "interim financial statements") of Másmóvil Ibercom, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the statement of financial position at 30 June 2020, statement of comprehensive income, statement of changes in equity, statement of cash flows and the explanatory notes for the six-month period then ended (all condensed and consolidated). Pursuant to article 12 of Royal Decree 1362/2007 the Directors of the Company are responsible for the preparation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

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Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2020 have not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw your attention to the accompanying note 2.a, which states that these interim financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying condensed consolidated interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2019. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim management report for the six-month period ended 30 June 2020 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim management report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the condensed consolidated interim financial statements for the six-month period ended 30 June 2020. Our work is limited to the verification of the consolidated interim management report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Másmóvil Ibercom, S.A. and subsidiaries.

Paragraph on Other Matters

This report has been prepared at the request of the Company's Directors in relation to the publication of the six-monthly financial report required under article 119 of Legislative Royal Decree 4/2015 of 23 October 2015, approving the Revised Securities Market Law, implemented by Royal Decree 1362/2007 of 19 October 2007.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Francisco Rabadán Molero

27 July 2020

MASMOVIL IBERCOM, S.A. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements
and Consolidated Interim Management Report

For the six-month period ended 30 June 2020

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

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Condensed Consolidated Statement of Financial Position as at 30 June 2020

Thousand Euro	NOTE	30/06/2020	31/12/2019 (*)
Assets			
Goodwill	4	797,926	482,344
Intangible assets	4	1,162,245	1,090,763
Property, plant and equipment	5	711,013	647,766
Rights of use	6	195,749	151,904
Costs of obtaining contracts with customers	7	68,599	58,595
Contractual assets	8	17,164	15,254
Investments accounted using the equity method	11	16,853	22,436
Other investments	10	36,656	29,177
Prepayment for non-current assets	9	13,521	10,058
Deferred tax assets		292,485	294,563
Total non-current assets		**3,312,211**	**2,802,860**
Inventories		6,879	12,182
Trade and other receivables	12	257,751	218,681
Cost of obtaining contracts with customers	7	90,992	88,815
Contractual assets	8	69,209	74,311
Current tax assets		4,390	892
Other investments	10	6,191	7,507
Prepayment for current assets	9	13,149	7,509
Cash and cash equivalents	17 (b)	247,514	63,037
Total current assets		**696,075**	**472,934**
Total assets		**4,008,286**	**3,275,794**
Equity			
Capital	13	2,634	2,634
Share premium	13	836,039	836,039
Retained earnings and other reserves	13	(734,295)	(735,001)
Treasury shares	13	(5,298)	(1,654)
Translation differences		-	76
Equity attributable to equity holders of the Parent		**99,080**	**102,094**
Non-controlling interests		1,822	1,822
Total equity		**100,902**	**103,916**
Liabilities			
Loans and borrowings	14	2,084,804	1,407,927
Derivative financial instruments	14	164	288
Other payables	14	4,981	20,994
Lease liabilities	14	164,747	116,382
Other financial liabilities	14	16,713	16,159
Provisions	15	52,480	57,570
Government grants		14,297	14,543
Deferred tax liabilities		82,533	65,747
Other non-current liabilities	18	172,765	166,418
Total non-current liabilities		**2,593,484**	**1,866,028**
Loans and borrowings	14	53,493	18,747
Current income tax liabilities		34,791	20,389
Other payables	14	285,863	499,769
Lease liabilities	14	45,706	31,011
Other financial liabilities	14	204,694	136,768
Trade and other payables	16	536,385	503,674
Provisions	15	152,968	95,492
Total current liabilities		**1,313,900**	**1,305,850**
Total Liabilities		**3,907,384**	**3,171,878**
Total equity and liabilities		**4,008,286**	**3,275,794**

(*) Restated balances. Certain amounts included in this condensed consolidated statement of financial position at 31 December 2019 do not correspond to those included in the consolidated annual accounts for the year ended 31 December 2019 and reflect the adjustments described in notes 2(a) and 3.3.

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Condensed Consolidated Statement of Comprehensive Income for the six-month period ended 30 June 2020

Thousand Euro	NOTE	30/06/2020	30/06/2019
Revenue	20.a)	897,416	791,913
Other operating income		26,569	41,077
Supplies	20.b)	(400,870)	(375,932)
Employee benefits expenses	20.c)	(34,092)	(29,781)
Depreciation and amortisation expenses	4, 5 and 6	(154,157)	(123,191)
Impairment and result from disposals of assets	5	(7,724)	(1,663)
Other operating expenses	20.d)	(231,891)	(215,790)
Operating profit/(loss)		**95,251**	**86,633**
Financial income		2,339	728
Financial expenses		(87,707)	(124,303)
Change in fair value of financial instruments		149	(10,222)
Exchange rate differences		(193)	-
Impairment and result from disposal of financial instruments		-	(107)
Gain on bargain purchase	3.1.b)	1,171	-
Financial results		**(84,241)**	**(133,904)**
Results from equity-consolidated investments		(5,583)	-
Profit/(Loss) from continuing operations, before income tax		**5,427**	**(47,271)**
Income tax income / (expense)	19	(3,937)	13,538
Profit/(Loss) for the period from continuing operations		**1,490**	**(33,733)**
Profit/(Loss) for the period		**1,490**	**(33,733)**
Profit/(Loss) for the period attributable to:			
Equity holders of the Parent Company		1,490	(33,733)
Profit /(Loss) for the period		**1,490**	**(33,733)**
Other comprehensive Income			
Items to be reclassified to profit or loss			
Translation differences of financial statements of foreign operations		(76)	38
Other comprehensive (loss) / income for the period, net of tax		**(76)**	**38**
Total comprehensive income / (loss) for the period		**1,414**	**(33,695)**
Total comprehensive income / (loss) for the period attributable to:			
Equity holders of the Parent Company		1,414	(33,695)
Basic earnings per share (expressed in Euro)			
Profit / (Loss) for the period	13.d)	0.01	(0.27)
Diluted earnings per share (expressed in euros)			
Profit / (Loss) for the period	13.d)	0.01	(0.20)

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Condensed Consolidated Statement of Changes in Equity for the six-month period ended 30 June 2020

	Equity attributable to equity holders of the Parent Company								Non-controlling interests	Total
Thousand Euro	Capital	Share premium	Other reserves	Retained earnings	Treasury shares	Translation differences	Other equity instruments	Subtotal		
Balance at 1 January 2019	**2,404**	**616,269**	**(282,264)**	**60,504**	**(2,020)**	**62**	**66,253**	**461,208**	**-**	**461,208**
Profit/(loss) for the period	-	-	-	(33,733)	-	-	-	(33,733)	-	(33,733)
Other comprehensive income	-	-	-	-	-	38	-	38	-	38
Total comprehensive income for the period	**-**	**-**	**-**	**(33,733)**	**-**	**38**	**-**	**(33,695)**	**-**	**(33,695)**
Capital increase	230	219,770	(98,543)	-	-	-	-	121,457	-	121,457
Distribution of profit for the year	-	-	60,504	(60,504)	-	-	-	-	-	-
Treasury shares (note 13)	-	-	76	-	471	-	-	547	-	547
Share-based payments (note 13)	-	-	(601,144)	-	-	-	**(66,253)**	(667,397)	-	(667,397)
Other movements	-	-	(1,049)	-	-	-	-	(1,049)	-	(1,049)
Balance at 30 June 2019	**2,634**	**836,039**	**(922,420)**	**(33,733)**	**(1,549)**	**100**	**-**	**(118,929)**	**-**	**(118,929)**
Balance at 1 January 2020	**2,634**	**836,039**	**(827,919)**	**92,918**	**(1,654)**	**76**	**-**	**102,094**	**1,822**	**103,916**
Profit/(loss) for the period	-	-	-	1,490	-	-	-	1,490	-	1,490
Other comprehensive income	-	-	-	-	-	(76)	-	(76)	-	(76)
Total comprehensive income for the period	**-**	**-**	**-**	**1,490**	**-**	**(76)**	**-**	**1,414**	**-**	**1,414**
Distribution of profit for the year	-	-	92,918	(92,918)	-	-	-	-	-	-
Treasury shares (note 13)	-	-	(642)	-	(3,644)	-	-	(4,286)	-	(4,286)
Other movements	-	-	(142)	-	-	-	-	(142)	-	(142)
Balance at 30 June 2020	**2,634**	**836,039**	**(735,785)**	**1,490**	**(5,298)**	**-**	**-**	**99,080**	**1,822**	**100,902**

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Condensed Consolidated Statement of Cash Flows for the six-month period ended 30 June 2020

Thousand Euro	NOTE	30/06/2020	30/06/2019
Cash flows from operations			
Profit/(loss) of the period for continuing operations		**1,490**	**(33,733)**
Adjustments for:			
Depreciation and amortisation	4, 5 and 6	154,157	123,191
Impairment losses from trade receivables	12	22,617	19,717
Change in provisions	15	1,631	(19,157)
Government grants recognised		(941)	(897)
Capitalization of the cost of obtaining contracts with customers and contractual assets	7 and 8	(8,989)	(12,570)
Impairment of non-current assets		7,724	1,663
Financial income		(2,339)	(728)
Financial expenses		87,707	134,602
Other income and expenses		(11,519)	(11,825)
Income tax expenses / (income)	19	3,937	(13,538)
Changes in working capital			
- Inventories		4,725	-
- Trade and other accounts receivables		(88,445)	(27,678)
- Other assets		(3,288)	(62,118)
-Trade and other payables		70,495	97,059
- Provisions		(583)	(6,645)
Cash flow from operating activities		**238,379**	**187,343**
Interest paid		(26,504)	(16,116)
Income tax received/(paid)		(4,661)	(4,880)
Net cash flow generated from operating activities		**207,214**	**166,347**
Net cash flow from investing activities			
Proceeds from the sale of financial assets		(6,087)	943
Proceeds from sale of property, plant and equipment		5,280	-
Payments for acquisition of property, plant and equipment	5	(155,602)	(126,614)
Payments for acquisition of intangible assets	4	(248,801)	(152,806)
Acquisition of subsidiaries, net of cash and cash equivalents	3	(337,374)	(15,425)
Net cash flow used in investing activities		**(742,584)**	**(293,902)**
Cash flows from financing activities			
Proceeds from issue of share capital	13	-	220,342
Proceeds from bank borrowings	14	777,000	1,350,000
Proceeds from other financial liabilities		165,264	61,945
Payments for lease liabilities including interest	14	(17,680)	(16,220)
Payments for transaction costs related to the issue of equity instruments	13	(4,428)	-
Payments for bank borrowings		(115,615)	(1,306,322)
Payments from other financial liabilities		(84,694)	(19,366)
Payments from the redemption of treasury shares and other equity instruments		-	(3,440)
Net cash flow generated from / (used in) financing activities		**719,847**	**286,939**
Net increase in cash or cash equivalents		184,477	159,384
Cash or cash equivalents at 1 January		63,037	98,205
Cash and cash equivalents at 30 June		**247,514**	**257,589**

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Condensed explanatory notes

1. Description of the Group

World Wide Web Ibercom, S.L. was incorporated in Spain on 12 November 1997 as a limited company, for an indefinite period of time. On 1 July 2011 the Company was transformed into a public limited company, maintaining its same name.

On 3 July 2014 it changed its name to Masmovil Ibercom, S.A. (hereinafter the Company or Parent Company). Its registered office is in San Sebastián (Guipúzcoa), Parque Empresarial Zuatzu, Edificio Easo, 2nd floor.

These condensed consolidated interim financial statements for the six-month period ended 30 June 2020 (hereinafter the Interim Financial Statements) include the Parent Company and its subsidiaries (hereinafter, the Group). The most significant information on the subsidiaries is detailed in the accompanying Annex I, which forms an integral part of this note.

The Group is engaged in the provision of fixed and mobile telephone and broadband services, a market sector that has a relatively stable business cycle throughout the year.

On 14 July 2017, Masmovil Ibercom, S.A. delisted all of the Company's shares from the Alternative Stock Exchange - Expanding Companies Market, and simultaneously admitted them to official trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, as well as including them in the Spanish Stock Exchange Interconnection System (Continuous Market (SIBE)). On 14 June 2019, the Technical Advisory Committee of the Ibex Indices approved the Company's entry into the IBEX 35. The entry became effective on 24 June 2019.

On 1 June 2020, Lorca Telecom Bidco, S.A.U. (Lorca Telecom or the "Offeror"), a company indirectly owned in equal shares by funds and 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"), filed an application with the National Securities Market Commission (CNMV) for a voluntary takeover bid for all of the Company's shares.

On 7 June 2020, the Council of Ministers authorised the acquisition by the offeror of 100% of the Company's shares valued at approximately €22.50 for each share. This authorisation was granted in accordance with the provisions of Law 19/2003, on the legal regime of capital movements and economic transactions abroad, and on certain measures to prevent money laundering, and has been granted following a favourable report from the Board of Foreign Investments, an Inter-ministerial body attached to the Directorate-General for Commercial Policy and Foreign Investment.

The offeror has expressed its commitment to Másmóvil's Board of Directors, to maintain Másmóvil's strategy and business plan, as well as that of its employees and management team.

The effectiveness of the Offer is conditioned on its acceptance by a number of MásMóvil shareholders representing at least 50% of the share capital and on obtaining the corresponding authorisations. There is also an irrevocable sale commitment signed with selling shareholders representing 20.41% of the share capital.

The Group is obliged to continue to operate its business in the best interests of all its stakeholders, as if this event had not happened, as the offer initially needs to be approved by the National Securities Market Commission. The Company's Board of Directors has approved the creation of a Monitoring Committee whose functions include ensuring the independence and transparency of the takeover bid process, evaluating the bid, considering measures that may benefit the shareholders or preparing information for the Board of Directors.

2. Basis of presentation

These Interim Financial Statements have been prepared in accordance with the provisions of International Accounting Standard (IAS) 34 on interim financial reporting and in accordance with the provisions of Article 12 of Royal Decree 1362/2007, of 19 October, which implements Law 24/1988, of 18 July, on the Securities Market, in relation to transparency requirements relating to information on issuers whose securities are admitted to trading on an official secondary market or another regulated market in the European Union, as well as Circular 3/2018, of 28 June, of the National Securities Market Commission, on periodic information from issuers of securities admitted to trading on regulated markets relating to half-yearly financial reports, interim management statements and, where appropriate, quarterly financial reports.

In accordance with IAS 34, these Interim Financial Statements are prepared solely for the purpose of updating the content of the latest consolidated annual accounts prepared by the Directors of the Parent Company, with emphasis on new activities, events and circumstances that have occurred during the period and do not duplicate the information previously published in the 2019 consolidated annual accounts. Therefore, these Interim Financial Statements do not include all the information that would be required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU) and, therefore, they must be read together with the Group's consolidated annual accounts for the year ended 31 December 2019 for their correct interpretation.

The consolidated annual accounts for 2019 were prepared by the Parent Company's Directors in accordance with International Financial Reporting Standards as adopted by the European Union and were approved at the Annual General Shareholders' Meeting on 8 July 2020.

The accounting policies adopted for the preparation of these Interim Financial Statements are the same as those followed for the preparation of the Group's IFRS-EU consolidated annual accounts for 2019.

These Interim Financial Statements were authorised for issue by the Board of Directors of the Parent Company at its meeting held on 27 July 2020.

a) Comparative information

The figures included for comparative purposes in these Interim Financial Statements refer to the six-month period ended 30 June 2019, except for those relating to the Condensed Consolidated Statement of Financial Position, which corresponds to 31 December 2019.

The changes in the consolidation perimeter during the six-month period ended 30 June 2020 are shown in note 3 to these Interim Financial Statements and in Annex I.

As mentioned in note 3.2, during the six-month period ended 30 June 2020, the Group has completed the evaluation of fair values of the acquisition of Carrier-E Mobile, S.L.U., and therefore, in accordance with current regulations, has recorded the allocation of the purchase price since the date of acquisition on 17 July 2019.

b) Going concern

The Directors of the Parent Company have prepared these Interim Financial Statements on a going concern basis, on the understanding that the future prospects for the Group's business will enable it to obtain positive results and cash flows in the coming years.

At 30 June 2020, the Group had negative working capital of €617,825 thousand (31 December 2019: negative €832,916 thousand), which is normal for the sector in which it operates and its financial structure, and does not hinder the development of the business. Despite the Group's specific working capital situation, the Parent Company's directors do not expect any circumstances to arise in the short or medium term that would have an adverse effect on the Group's current working structure for the following reasons:

- The Group has at its disposal certain undrawn financing facilities at 30 June 2020, including most notably the CAPEX line (€55,000 thousand) and a Revolving Credit Facility ("RCF") tranche (€100,000 thousand) (see note 14).

- The Group's main line of business is the provision of telecommunications services, a business that operates with a reduced collection period which, associated with a supplier payment period of 45.13 days (50.67 days in 2019), allows it to optimise the use of the Group's resources by operating with negative working capital.

- The Group and a leading international infrastructure fund (InfraFund) will jointly form a new infrastructure company ("NetCo") in which the Group will have a significant but minority stake (see note 5). In turn, the Group plans to sell a fibre network to the aforementioned NetCo during the second half of 2020, which is expected to generate a total future cash flow of approximately €400 million, of which approximately €145 million is expected to materialize in the second half of 2020, which is net of investments to be made in the new business. This transaction was announced to the market by relevant notice dated 12 June 2020.

c) Relevant accounting estimates, assumptions and judgements used when applying accounting policies

The preparation of these Interim Financial Statements in accordance with IFRS-EU requires the application of relevant accounting estimates and the making of opinions, estimates and assumptions in the process of applying the Group's accounting policies.

The opinions, estimates and assumptions used in preparing these Interim Financial Statements are the same as those used in preparing the Group's consolidated annual accounts for 2019.

Considering the sector in which the Group operates, the management of the COVID-19 crisis and the financial forecasts made by Group management, no significant risks associated with the

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measurement of the assets and liabilities in the Group's consolidated condensed statement of financial position were identified.

d) Mandatory regulations, amendments and interpretations for all financial years starting from 1 January 2020.

As from 1 January 2020, the following regulations, interpretations, amendments to regulations and improvement packages have come into force and have not had a significant impact on these Interim Financial Statements. These are the following:

- IFRS 3 (Amendment) " *Definition of a Business"*: These amendments will help to determine whether this is an acquisition of a business or a group of assets. The amended definition emphasizes that the product of a business is to provide goods and services to customers, whereas the previous definition focused on providing profitability in the form of dividends, lower costs or other economic benefits to investors and others. In addition to rewording the definition, additional guidance has been provided. To be considered as a business, an acquisition would have to include an input and a process that together contribute significantly to the ability to create products. The new guide provides a framework for assessing when both elements are present (even for early-stage companies that have not generated products). To be a business without profits, it will now be necessary to have organised manpower.

  These amendments will apply to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions occurring on or after the beginning of that period. Early application is permitted.

  The Group has applied this amendment to business combinations carried out from 1 January 2020.

- IAS 1 (Amendment) and IAS 8 (Amendment) "*Definition of Materiality":* These amendments clarify the definition of "material", also introducing omitted or inaccurate items that may influence users' decisions, the item of "obscuring" information. Such amendments ensure that IFRS are more consistent but are not expected to have a significant impact on the preparation of these Interim Financial Statements.

  These amendments shall be applied for annual periods beginning on or after 1 January 2020, although earlier application is permitted.

- IFRS 9 (Amendment), IFRS 7 (Amendment) and IAS 39 (Amendment) *"Interest Rate Benchmark Reform"*. These amendments provide certain exemptions with regards to the amendment of the reference interest rate (IBOR). The exemptions are related to hedge accounting and have the effect that the IBOR amendment generally should not cause the cessation of hedge accounting. However, any ineffectiveness of the hedge must continue to be recorded in the consolidated statement of comprehensive income.

  These amendments shall be applied for annual periods beginning on or after 1 January 2020, although earlier application is permitted.

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e) Standards, interpretations and amendments to existing standards that cannot be adopted in advance or have not been adopted by the European Union

At the date of preparation of these Interim Financial Statements, the IASB and the IFRS Interpretations Committee had published the following standards, amendments and interpretations, which are pending adoption by the European Union

- IFRS 16 (Amendment) " *Rental concessions related to Covid-19*"

  The IASB published an amendment to IFRS 16 "Leases" that provides an optional practical exemption for lessees in assessing whether a lease concession related to COVID-19 is an amendment of the lease. Lessees may choose to account for such rental concessions in the same manner as they would if they were not amendments of the lease. In many cases, this will result in the accounting of the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment does not provide the same facility for lessors, who have to apply the current requirements of IFRS 16 and consider whether or not there has been an amendment to the relevant lease.

  This amendment is effective for annual financial periods beginning on or after 1 June 2020, although earlier application is permitted, including in Interim Financial Statements or in annual accounts not yet authorised for issue on 28 May 2020, pending approval by the European Union.

- IFRS 10 (Amendment) and IAS 28 (Amendment) "*Sale or contribution of assets between an investor and its associate or joint venture*" These amendments clarify the accounting of sale or contribution of assets between an investor and its associate or joint venture which will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitutes a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not comply with the definition of business, the investor recognises the gain or loss only to the extent of the unrelated investors' interests. 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 annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB took the decision to postpone the effective date of these amendments (without setting a new specific date), as it is planning a broader review that could result in simplifying the accounting for these transactions and other aspects of accounting for associates and joint ventures.

- IAS 1 (Amendment) "*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 end of the period (e.g. receipt of a waiver or breach of the covenant). The amendment also clarifies what is meant by IAS 1 when it refers to the 'settlement' of a liability. The effective date of these amendments is 1 January 2022, although early adoption is permitted.

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- IAS 16 (Amendment) "*Fixed tangible assets - Income obtained before intended use":* The cost of an item of fixed tangible assets cannot be deducted from any income from the sale of items produced while the entity is preparing the asset for its intended use. Income from the sale of such samples, together with production costs, are now recognised in income. The amendment also clarifies that an entity is testing whether the asset is functioning properly when assessing the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Therefore, an asset may be capable of operating as intended by management and be subject to depreciation before it has reached the level of operating performance expected by management. The effective date of these amendments is 1 January 2022.

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

- IFRS 3 (Amendment) " *Reference to the Conceptual Framework":* IFRS 3 has been updated to refer to the 2018 Conceptual Framework to determine what constitutes an asset or a liability in a business combination (previously referred to as the 2001 Conceptual Framework). In addition, a new exception has been added in IFRS 3 for liabilities and contingent liabilities. 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 annual periods beginning on or after 1 January 2022. The main amendments relate to:

    - IFRS 1 " *First-time Adoption of IFRS":* IFRS 1 permits an exemption if a subsidiary adopts the IFRS at a date later than its parent company. This amendment allows entities that have taken this exemption to also measure cumulative exchange rate differences using the amounts accounted for by the parent company, based on the parent company's date of transition to IFRS.

    - IFRS 9 "Financial instruments": The amendment addresses which costs should be included in the 10% test for derecognition of financial liabilities. Costs or fees may be paid to third parties or to the lender. Depending on the amendment, costs or fees paid to third parties will not be included in the 10% test.

    - NIIF 16 “Leases”: Illustrative Example 13 accompanying IFRS 16 has been amended to remove the illustration of lessor payments in relation to lease improvements, thereby removing any possible confusion about the treatment of lease incentives.
    - IAS 41 "Agriculture": This amendment removes the requirement to exclude tax cash flows when measuring fair value under IAS 41.

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Other standards, amendments and interpretations that the IASB and the IFRS Interpretations Committee had published at the date of preparation of these Interim Financial Statements that are not adopted by the European Union and are not applicable to the Group are as follows:

- IFRS 17 " *Insurance contracts*"

3. Business combinations and changes in the consolidation perimeter

3.1 Business combinations made in the six-month period ended 30 June 2020.

The breakdown of the net assets acquired and goodwill recognised for the business combinations carried out in the six-month period ended 30 June 2020 is as follows:

Thousand Euro	Country	Business combination cost	Fair value of the identifiable net assets	Goodwill (note 3)	Gain on bargain purchase
Subsidiaries					
Ocean's Network, S.L.	Spain	700	1,871	-	(1,171)
Lycamobile S.L.U.	Spain	399,998	84,547	315,451	-
		400,698	**86,418**	**315,451**	**(1,171)**

In accordance with IFRS 3, in the Lyca and Ocean's acquisitions the Group has a 12-month period to determine the fair values arising from the business combinations. Therefore, the values included herein are considered provisional since, although a valuation has been carried out with the help of an independent expert, new information might exist that would modify the values initially recorded. Any adjustments identified as a result of such additional information during the aforementioned period would be recorded as if they had been known at the date of acquisition.

a) Acquisition of Lycamobile S.L.U.

On 12 June 2020, the Group, through the subsidiary Xfera Móviles, S.A.U., acquired 100% of the shareholding of Lycamobile S.L.U. (hereinafter Lyca). The purchase/sale agreement was signed between the parties on 28 February 2020, but the transaction was subject to approval by the National Competition Commission (CNMC), which was obtained on 12 June 2020. The corporate purpose of the acquired company is the activity of a mobile virtual operator that specialises in the prepay segment.

The purchase price of the above-mentioned shares amounted to €400 million and was settled as follows:

- €330 million was paid in cash on the date on which the purchase/sale took place.
- €28 million to be paid within 12 months (see note 14 d)) from the date on which the purchase and sale materialised and which is guaranteed by a bank guarantee.
- In addition, the Group has assumed €42 million of debt to the group companies of the former Lyca partner.

The transaction has been financed with bank debt from two leading international financial institutions (see note 14).

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The breakdown of the cost of the business combination, the fair value of the net assets acquired and the provisional goodwill recognised are as follows:

Thousand Euro	Carrying amount of the acquired company	Fair value adjustments	Fair value
Intangible assets (note 4)	-	81,823	81,823
Property, plant and equipment (note 5)	4	-	4
Other investments (non-current)	12	-	12
Deferred tax assets	-	2,889	2,889
Inventories	1,301	-	1,301
Trade and other receivables	22,154	-	22,154
Other investments (current)	27,047	-	27,047
Cash and cash equivalents	544	-	544
Assets	**51,062**	**84,712**	**135,774**
Trade and other payables	10,729	-	10,729
Provisions (current)	941	-	941
Other liabilities	7,545	-	7,545
Provisions (non-current)	-	11,556	11,556
Deferred tax liabilities	-	20,456	20,456
Liabilities	**19,215**	**32,012**	**51,227**
Identifiable net assets acquired			84,547
Less: Business combination cost			399,998
Provisional goodwill (note 4)			**315,451**

If the acquisition of the business had taken place on 1 January 2020, the consolidated income and results for the period between the acquisition dates and the six-month period ended 30 June 2020 would have been as follows:

Thousand Euro	**1 January 2020 to date of acquisition**	**From date of acquisition to 30 June 2020**	**Total**
Revenue	52,667	6,580	59,247
Operating profit/(loss)	10,892	2,678	13,570
Depreciation and amortisation expenses	(1,821)	-	(1,821)
Profit before taxes	10,895	2,678	13,573
Profit after tax	8,171	2,009	10,180

The most relevant factor that led to the recognition of goodwill amounting to €315,451 thousand is the measurement of expected synergies and in particular those arising from the use of the Group's mobile network. This goodwill is tax deductible.

Lycamobile is a mobile virtual network operator (MVNO), which means that it has neither mobile spectrum nor its own radio access network. It therefore needs to rely on a network operator to provide services to its end customers. MASMOVIL Group has its own spectrum in different frequency bands, as well as a modern mobile network that provides coverage to 85% of the Spanish population, complemented by wholesale agreements with the three national network operators. The migration of Lycamobile's customer traffic to this combination of its own network and wholesale agreements with third parties will provide very significant network cost savings that have been estimated at approximately €30 million per year for the company's current customer base. It is expected that this migration process will be completed before the end of the year thanks to the fact that Lycamobile is what is known as a full MNVO, i.e. an operator which, although it does not have its own access network, does have its own "core" network, which will allow the migration to be carried out quickly through short message campaigns (OTA) that allow the preferred network to be changed without impacting the customer. Likewise, with the acquisition of Lycamobile, approximately 4,000 points of sale are incorporated, reinforcing the capillarity of the Group's prepaid segment.

In addition, the Group expects to obtain incremental synergies both from the elimination of the costs associated with the central services provided by the parent company of Lycamobile Group, which will be assumed by the current structure of the Group with virtually no increase in resources, and from the increase in purchasing capacity and, in the future, from the integration of systems and distribution channels.

The criteria for measuring the fair value of the main assets and liabilities existing at the date on which control is taken, which were determined with the assistance of an expert hired for this purpose, are shown below:

- Intangible assets relating to relationships with customers: were measured using the Multi Excess Earnings Method (MEEM), which calculates the value of the asset as the sum of excess future profits discounted to their current value after taking into account the charges for the contributory assets. The key parameters used in the measurement of this intangible asset were the abandonment rate, a tax charge of 0.2% as an expense required to maintain the relationship, a royalty associated with the brand of 0.98% and a discount rate of 8.4%.

- Deferred income (other liabilities): the Group, when purchasing the customer portfolio, took on balances not consumed by the customers (prepay). This amount was recorded under Trade and other payables.

- Onerous contract: The fair value of this provision corresponded to the contract that Lyca have with a telecommunications operator in relation to the MVNO contract, taking into account for this estimate the difference between the cost of this contract until the date of completion of the contract plus the estimated time for migration to the Group's network, with respect to the cost that would be incurred in a similar contract under market conditions (see note 15).

- Deferred tax assets and liabilities: were assessed on the basis of the best estimate of future taxable income and on the basis of the tax regulations in force at the date of the takeover.

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b) Acquisition of business unit from Ocean's Network, S.L.

On 16 January 2020, through the subsidiary Xfera Móviles, S.A.U., the Group acquired the business line consisting of the MVNO business from Ocean's Network, S.L. (hereinafter, Ocean's). The acquisition price was €700 thousand and was paid in cash.

The breakdown of the cost of the business combination, the fair value of the net assets acquired and the income recorded is as follows:

Thousand Euro	Carrying amount of the company acquired	Fair value adjustments	Fair value
Intangible assets (Note 4)	-	2,054	2,054
Property, plant and equipment (note 5)	257	-	257
Deferred tax assets	-	337	337
Assets	**257**	**2,391**	**2,648**
Provision (current)	-	263	263
Deferred tax liabilities	-	514	514
Liabilities	**-**	**777**	**777**
Identifiable net assets acquired			1,871
Less: Business combination cost			(700)
Gain on bargain purchase			**1,171**

The most relevant factor that led to the recognition of income from this business combination was the valuation of the customer portfolio acquired as well as other synergies inherent in the business.

The criteria for measuring the fair value of the main assets and liabilities existing at the date on which control is taken, which were determined with the assistance of an expert hired for this purpose, are shown below:

- Intangible assets relating to relationships with customers : were measured using the Multi Excess Earnings Method (MEEM), which calculates the value of the asset as the sum of excess future profits discounted to their current value after taking into account the charges for the contributory assets. The key parameters used in the measurement of this intangible asset were the abandonment rate and a discount rate of 12.5%.

- Onerous contract: The fair value of this provision corresponded to the contract that Oceans have with a telecommunications operator in relation to the MVNO contract, taking into account for this estimate the difference between the cost of this contract until the date of completion of the contract plus the estimated time for migration to the Group's network, with respect to the cost that would be incurred in a similar contract under market conditions (see note 15).

- Deferred tax assets and liabilities: were assessed on the basis of the best estimate of future taxable income and on the basis of the tax regulations in force at the date of the takeover.

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3.2 Business combinations made in 2019

a) Acquisition of Carrier-E Mobile, S.L.U.

On 17 July 2019 the Group, through the subsidiary Xfera Móviles S.A.U., acquired 100% of the shareholdings of Carrier-E Mobile, S.L.U. (hereinafter Carrier-E Mobile).

At 31 December 2019, the Group recognised the provisionally acquired net assets on the basis of an initial estimate of their fair value, although the Group was still in the process of measuring them and any new information could amend the values initially recognised in accordance with IFRS 3.

During the six-month period ended 30 June 2020, the Group completed the assessment of the fair values of the business acquired and adjusted the provisional values disclosed in the consolidated annual accounts for 2019, specifically in relation to the onerous contract (current liabilities) (see note 15), amending the amounts included in the consolidated statement of financial position at that date and, consequently, the goodwill resulting from the business combination. In accordance with IFRS 3, the fair values have been recorded as if they had been known at the date of acquisition, as detailed below:

Thousand Euro	Carrying amount of the acquired company	Fair value adjustments	Fair value
Intangible assets	3	11,927	11,930
Property, plant and equipment	25	-	25
Deferred tax assets	43	1,026	1,069
Trade and other receivables	301	-	301
Other current assets	382	-	382
Cash and banks	403	-	403
Assets	**1,157**	**12,953**	**14,110**
Deferred tax liabilities	-	2,982	2,982
Current liabilities	1,013	4,103	5,116
Other short term debts	213	-	213
Liabilities	**1,226**	**7,085**	**8,311**
Identifiable net assets acquired			5,799
Business combination cost			(10,753)
Goodwill			**4,954**

The most significant factor that led to the recognition of goodwill amounting to €4,954 thousand was the measurement of expected synergies, mainly due to the optimisation of the mobile telecommunications network costs borne until the transaction date, since the mobile network deployed by the Group could be used or incorporated in the wholesale agreements entered into with third parties.

b) Acquisition of Netllar, S.L.U.

With regards to the business combination of Netllar, S.L.U., at the date these Interim Financial Statements were prepared the values assigned to this business combination, which are detailed in the 2019 consolidated financial statements, are final.

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3.3 Changes in the consolidation perimeter

a) Acquisition of non-controlling interest in Pepe Energy, S.L.U.

As mentioned in the consolidated annual accounts for 2019, on 20 February 2020 the Group, through the subsidiary Xfera Móviles, S.A.U., acquired 5,010 shareholdings representing 5.01% of the share capital of Pepe Energy, S.L.U., for €170 thousand, which had hitherto been held by non-controlling shareholders, so that the Group increased its ownership interest in Pepe Energy, S.L.U. to 100% of its share capital.

This acquisition of non-controlling interests did not have a significant impact on the consolidated statement of financial position at 30 June 2020.

b) Incorporation of Guuk Telecom, S.A.

On 5 May 2020, the Group, through its subsidiary Xfera Móviles S.A.U., incorporated Guuk Telecom, S.A. with €60 thousand, whose corporate purpose is to provide and/or market telecommunications services and which will operate mainly in the Basque Country. On 24 June 2020, Xfera Móviles S.A.U. agreed to a capital increase of €1,640 thousand, which corresponds to capital of €60 thousand and share premium of €1,580 thousand, that it partially subscribed, its interest after the mentioned capital increase being 70.6% of the share capital of the company.

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4. Intangible Assets

The composition and movements in the accounts included under intangible assets were as follows:

Thousand Euro	Goodwill	Software Applications	Patents, trademarks and licences	Development	Other intangible assets	Advances	Rights of use	Total
Cost								
Balance at 1 January 2019	**476,250**	**82,313**	**285,225**	**17,990**	**207,530**	**-**	**302,343**	**1,371,651**
Business combinations	5,276	289	-	-	14,869	-	-	20,434
Additions	-	47,416	4,150	12	17,705	10	337,741	407,034
Disposals	(503)	(2,992)	-	(2,502)	(3,559)	-	-	(9,556)
Transfers	-	(3)	(3,736)	-	3,631	-	26,667	26,559
Balance at 31 December 2019	**481,023**	**127,023**	**285,639**	**15,500**	**240,176**	**10**	**666,751**	**1,816,122**
Adjustment due to restatement	1,321	-	-	-	-	-	-	1,321
Balance at 31 December 2019 (restated)	**482,344**	**127,023**	**285,639**	**15,500**	**240,176**	**10**	**666,751**	**1,817,443**
Business combinations (note 3)	315,451	-	4,522	-	79,355	-	-	399,328
Additions	131	27,564	-	-	14,620	-	3,401	45,716
Disposals	-	(224)	-	-	(5,349)	-	-	(5,573)
Transfers	-	37	(239)	-	257	-	(53)	2
Balance at 30 June 2020	**797,926**	**154,400**	**289,922**	**15,500**	**329,059**	**10**	**670,099**	**2,256,916**
Depreciation and impairment losses								
Balance at 1 January 2019	**-**	**(18,293)**	**(37,099)**	**(14,012)**	**(63,738)**	**-**	**(16,002)**	**(149,144)**
Amortization of the financial year	-	(19,643)	(30,058)	(1,861)	(31,731)	-	(21,542)	(104,835)
Disposals	-	2,790	-	2,503	3,559	-	-	8,852
Transfers	-	3	1,775	-	(2,783)	-	1,796	791
Balance at 31 December 2019	**-**	**(35,143)**	**(65,382)**	**(13,370)**	**(94,693)**	**-**	**(35,748)**	**(244,336)**
Amortization for the period	-	(12,854)	(9,714)	(618)	(17,421)	-	(17,207)	(57,814)
Disposals	-	56	-	-	5,349	-	-	5,405
Transfers	-	-	-	-	-	-	-	-
Balance at 30 June 2020	**-**	**(47,941)**	**(75,096)**	**(13,988)**	**(106,765)**	**-**	**(52,955)**	**(296,745)**
Carrying amount								
At 1 January 2019	**476,250**	**64,020**	**248,126**	**3,978**	**143,792**	**-**	**286,341**	**1,222,507**
At 31 December 2019	**482,344**	**91,880**	**220,257**	**2,130**	**145,483**	**10**	**631,003**	**1,573,107**
At 30 June 2020	**797,926**	**106,459**	**214,826**	**1,512**	**222,294**	**10**	**617,144**	**1,960,171**

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The additions of property, plant and equipment during the six-month period ended 30 June 2020 primarily correspond to investments in the acquisition and development of IT solutions to support the business, the costs required prior to the entry into operation of the 3,500 MHz frequencies and the materialisation of the strategic agreements signed with various operators for wholesale access to their infrastructures and for the joint deployment of FTTH (Fiber-To-The-Home) networks.

Other intangible assets mainly includes relationships with customers.

The goodwill arising in the business combinations in the six-month period ended 30 June 2020 (see notes 3.1.a and 3.1.b) has been allocated to the Cash Generating Unit (CGU) of Xfera Móviles, S.A.U. In both cases, since this CGU will benefit from the synergies generated mainly by the optimisation of mobile telecommunications network rental costs borne up to the date of the transaction, as it will be able to use the mobile network developed by the Group or enter into wholesale commercial agreements with third parties.

As mentioned in note 3.2, during the six-month period ended 30 June 2020 the Group has adjusted the provisional values of the business combination of Carrier-e Mobile S.L.U. and consequently has updated the goodwill allocated to the Xfera Móviles, S.A.U. CGU at the date of the transaction.

The Group annually monitors goodwill at CGU level. Below is a summary at the CGU level of the allocation of goodwill:

Thousand Euro	**30/06/2020**	**31/12/2019**
CGU		
Xfera Móviles	458,986	143,404
Xtra Telecom	39,791	39,791
CGU Group (all CGUs)	299,149	299,149
	797,926	**482,344**

Taking into account the sector in which the Group operates, the management of the COVID-19 crisis that it has carried out and the financial forecasts made by the Group's management, no impairment losses on goodwill were recognised during the six-month period ended 30 June 2020 as no impairment indicators were identified.

At 30 June 2020, the Group had firm commitments to purchase property, plant and equipment amounting to €14,315 thousand.

In addition, in June 2020 the Group negotiated certain wholesale agreements for the use of mobile and FTTH networks. The mobile agreement envisages a reduction in the unit cost per GB consumed, an increase in the size of the 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 around 500,000 UUII, as well as access to future deployments. In relation to these agreements, the Group has also signed a minimum annual payment commitment for the use of the mobile network and FTTH for the next 5 years from 1 January 2021, renewable for another 5-year period at the Group's discretion.

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5. Property, Plant and Equipment

The breakdown and changes in the items included in property, plant and equipment are the following:

Thousand Euro	**Land and buildings**	**Network equipment**	**Other fixed assets**	**Fixed assets under construction and advances**	**Total**
Cost					
Balance at 1 January 2019	**802**	**671,492**	**36,221**	**44,866**	**753,381**
Business combinations	-	27	92	520	639
Additions	-	246,058	9,309	60,112	315,479
Disposals	-	(183,957)	(1,098)	(149)	(185,204)
Transfers	-	29,914	(11,741)	(44,713)	(26,540)
Balance at 31 December 2019	**802**	**763,534**	**32,783**	**60,636**	**857,755**
Business combinations (note 3)	-	-	261	-	261
Additions	-	102,714	7,359	45,529	155,602
Disposals	-	(26,666)	(111)	-	(26,777)
Transfers	-	60,022	(194)	(59,830)	(2)
Balance at 30 June 2020	**802**	**899,604**	**40,098**	**46,335**	**986,839**
Depreciation					
Balance at 1 January 2019	**(210)**	**(137,867)**	**(11,065)**	**-**	**(149,142)**
Depreciation of the financial year	(38)	(128,398)	(6,614)	-	(135,050)
Disposals	-	73,268	940	-	74,208
Transfers	-	-	(5)	-	(5)
Balance at 31 December 2019	**(248)**	**(192,997)**	**(16,744)**	**-**	**(209,989)**
Depreciation for the period	(9)	(74,328)	(3,991)	-	(78,328)
Disposals	-	12,421	70	-	12,491
Transfers	-	-	-	-	-
Balance at 30 June 2020	**(257)**	**(254,904)**	**(20,665)**	**-**	**(275,826)**
Carrying amount					
At 1 January 2019	**592**	**533,625**	**25,156**	**44,866**	**604,239**
At 31 December 2019	**554**	**570,537**	**16,039**	**60,636**	**647,766**
At 30 June 2020	**545**	**644,700**	**19,433**	**46,335**	**711,013**

The main additions during the six-month period ended 30 June 2020 correspond to the deployment of the FTTH fibre network, both in operation and in progress, and the acquisition of subscriber equipment installed at customers' homes, mainly from FTTH.

In the six-month period ended 30 June 2020, gains of €5,280 thousand were recognised on derecognition of fixed tangible assets that could be reconditioned and were sold to third parties, and impairment losses of €13,004 thousand were recognised on fixed tangible assets, mainly customer premises equipment.

At 30 June 2020, the Group has firm commitments to purchase property, plant and equipment totalling € 35,242 thousand derived from the expansion of its telecommunications network over the coming years.

In addition, in June 2020 the Group reached an agreement for the deployment of 2.2 million new FTTH Real Estate Units (UUII) between 2020 and 2023, of which the Group has committed to deploying 500,000 UUII, with an option to deploy a further 250,000. The new UUII will cover a new footprint as well as densification of the current footprint of both the Group and the other operator, and both parties have committed to exclusive wholesale bitstream use on the new deployed network for a period of 20 years.

The Group and a leading international infrastructure fund (InfraFund) will jointly form a new infrastructure company ("NetCo") in which Másmovil will have a significant but minority stake. This NetCo will acquire up to 1,078 thousand UUII from the Group, of which approximately 245 thousand UUII are already deployed and the rest of the deployment is planned to take place until mid 2023, for a total price of approximately €400 million. The Group will participate in NetCo with a minority stake of approximately €60 million, providing NetCo with operation, maintenance and transmission services.

Through these agreements, the Group will strengthen its FTTH network deployment plan.

The Group has taken out insurance policies to cover the risks to which its property, plant and equipment are subject, with coverage that is considered sufficient.

At 30 June 2020 and 31 December 2019, the land and buildings on which the Group operates were mortgaged to secure certain loans with credit institutions (see note 14.(e)).

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6. Rights of use

This note provides information for leases where the Group is a lessee.

The movement of the rights of use is as follows:

Thousand Euro	**Rights of use Lease**
Cost	
Balance at January 2019	**211,866**
Additions	28,192
Disposals	(3,409)
Balance at 31 December 2019	**236,649**
Additions	62,821
Disposals	(2,624)
Balance at 30 June 2020	**296,846**
Depreciation	
Balance at 1 January 2019	**(52,812)**
Depreciation of the financial year	(31,933)
Balance at 31 December 2019	**(84,745)**
Depreciation for the period	(18,015)
Disposals	1,663
Balance at 30 June 2020	**(101,097)**
Carrying amount	
Balance at 1 January 2019	**159.054**
Balance at 31 December 2019	**151,904**
Balance at 30 June 2020	**195,749**

The liabilities related to these leases as of 30 June 2020 are detailed in note 14 c).

7. Costs of obtaining contracts with customers

This corresponds to the activation of certain costs of obtaining contracts with customers. The composition and changes in the costs of obtaining contracts with customers during the six-month period ended 30 June 2020 and in 2019 are as follows:

	30/06/2020	
Thousand Euro	**Non-current**	**Current**
Balance at 1 January 2020	**58,595**	**88,815**
Additions	31,914	35,649
Allocations to profit/(loss)	-	(55,382)
Transfers	(21,910)	21,910
Balance at 30 June 2020	**68,599**	**90,992**

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	31/12/2019	
Thousand Euro	**Non-current**	**Current**
Balance at January 2019	**30,979**	**80,983**
Additions	58,594	83,192
Allocations to profit/(loss)	-	(106,338)
Transfers	(30,978)	30,978
Balance at 31 December 2019	**58,595**	**88,815**

8. Contractual assets

This corresponds to the activation of the straight-line treatment discounts and subsidies granted to customers. The composition and movements in contractual assets during the six-month period ended 30 June 2020 and in the financial year 2019 are as follows:

	30/06/2020	
Thousand Euro	**Non-current**	**Current**
Balance at 1 January 2020	**15,254**	**74,311**
Additions	8,550	42,708
Allocations to profit/(loss)	-	(54,450)
Transfers	(6,640)	6,640
Balance at 30 June 2020	**17,164**	**69,209**

	31/12/2019	
Thousand Euro	**Non-current**	**Current**
Balance at January 2019	**34,745**	**54,215**
Additions	26,856	77,795
Allocations to profit/(loss)	-	(104,046)
Transfers	(46,347)	46,347
Balance at 31 December 2019	**15,254**	**74,311**

9. Prepayments for current and non-current assets

The Group records under "prepayments" those payments made in advance whose accrual exceeds the year-end, or are of a multi-year nature. These items are charged to the consolidated statement of comprehensive income during the accrual period.

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10. Other investments

The breakdown of other investments is as follows:

Thousand Euro	**30/06/2020**	**31/12/2019**
Non-current		
Equity instruments	414	414
Credits to companies	30,544	23,721
Deposits and Guarantee deposits	1,024	1,648
Other financial assets	4,674	3,394
	36,656	**29,177**
Current		
Equity instruments	2	-
Credits to companies	3,877	5,763
Deposits and guarantee deposits	2,103	965
Other financial assets	209	779
	6,191	**7,507**

In 2019, through its company Xfera Móviles S.A.U., the Group acquired from an unrelated third party 10% of Ticnova Quality Team, S.L., whose activity is the development and marketing of computer and telecommunications programs and applications.

In relation to this ownership interest, the Group has entered into a purchase option agreement with the related entity GAEA Inversión SCR, S.A. (hereinafter, GAEA), which provides that this company may exercise a purchase option on the Group's ownership interest in Ticnova Quality Team, S.L. during the 5 years following its purchase date, and for a price that will increase by 6% per year with respect to the price paid by the Group with a minimum multiple of 1.2 times over the purchase price. The Group in turn has a put option on this interest in favour of GAEA to be exercised within 6 months of the date of the fifth anniversary of the close of the transaction at a price set in the contract. The Company's directors do not expect that, as a result of the exercise, if any, of these purchase and sale options, a significant impact on these Condensed Consolidated Interim Financial Statements taken as a whole would become apparent.

Credits to companies mainly include the credit facility granted to a related party for a principal amount drawn down at 30 June 2020 and 31 December 2019 of €28,904 thousand and €22,303 thousand respectively (see note 21 (a)).

Other non-current financial assets include the non-current payments receivable for the financing of the acquisition of telephone terminals provided to customers by the Group amounting to €3,942 thousand (€2,661 thousand at 31 December 2019). This financing is carried out in 24-month periods, and is totally independent of the financing provided directly by the financial institutions to customers.

The Group's exposure to credit, liquidity and market risk is described in note 17.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

11. Investments accounted using the equity method

The table below shows the Group's associates at 30 June 2020 which, in the opinion of the directors, are material to the Group. The percentage of ownership is the same as the percentage of voting rights held.

Thousand Euro	**Country of incorporation**	**Percentage of shareholding**	**Amount in investment books**
Associated companies			
Medbuying Technologies Group, S.L.	Spain	45.00%	4,500
Inversiones Locua, S.L. (through Spotting Development, S.L.)	Spain	31.66%	5,285
Cabonitel, S.A.	Spain	49.99%	2,760
Xfera Consumer Finance, Establecimiento Financiero de Crédito, S.A.	Spain	49.00%	2,811
Senior Telecomunicaciones y Servicios Avanzados, S.L.	Spain	49.99%	1,497
			16,853

Except as mentioned in note 23, at the date of preparation of these Interim Financial Statements, there had been no changes in relation to the call and put options mentioned in the consolidated annual accounts for 2019.

12. Trade and other receivables and current tax assets

The breakdown of trade and other receivables is the following:

Thousand Euro	**30/06/2020**	**31/12/2019**
Customer and trade receivables	315,980	245,118
Receivable on terminal financing	4,475	5,817
Sundry debtors	1,635	5,251
Other receivables from Public Administration	6,297	10,514
	328,387	266,700
Impairment adjustment	(70,636)	(48,019)
	257,751	**218,681**

Other receivables from the Public Administrations relate mainly to balances receivable for VAT and payments on account of corporate income tax.

Movement in impairment is as follows (see note 20 d)):

Thousand Euro	**30/06/2020**	**31/12/2019**
Opening balance	**(48,019)**	**(32,955)**
Charges	(26,137)	(42,578)
Reversals	3,520	3.794
Applications	-	23,720
Final balance	**(70,636)**	**(48,019)**

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The Group's exposure to credit risk, liquidity risk and market risk is described in note 17.

13. Equity

The composition and movement in equity are presented in the condensed consolidated statement of changes in equity.

a) Capital and share premium

Capital

At 30 June 2020, the Company's share capital is represented by 131,714,565 shares with a par value of €0.02 each (131,714,565 shares with a par value of €0.02 each at 31 December 2019), fully paid up. All shares enjoy the same voting and economic rights and have no restrictions on their free transferability.

At 30 June 2020, the Company's shares are held by various shareholders, and those holding more than 3% are as follows: Onchena S.L.U. 13.2%, Providence (through its vehicles) 9.2%, Indumenta Pueri S.L. 8.0%, Blackrock Inc. 5.8%. and Key Wolf SLU 5.0%.

Share premium

The share premium at 30 June 2020 and 31 December 2019 is not distributable for the amount of unamortised development costs amounting to €1,512 thousand.

b) Treasury shares

During the six-month period ended 30 June 2020 and 30 June 2019, the following transactions involving treasury shares took place:

	Number of shares	
	30/06/2020	**30/06/2019**
At 1 January	**83,175**	**103,986**
Additions	2,804,003	2,230,705
Disposals	(2,538,653)	(2,255,335)
At 30 June	**348,525**	**79,356**

During the six-month period ended 30 June 2020 the Company sold treasury shares with an acquisition value of €44,361 thousand (€42,557 thousand during the six-month period ended 30 June 2019), generating a decrease in reserves totalling €3,644 thousand (€471 thousand increase in reserves during the six-month period ended 30 June 2019) as a result of the difference between the average acquisition price and the selling price.

On 3 April 2020, the Group carried out a programme to buy back its treasury shares, having suspended the liquidity agreement for the duration of the programme. Under this programme, 216,350 Company shares have been acquired, in accordance with the limits established. The programme was intended to cover commitments to certain executives relating to the share appreciation rights (SAR) plan, which will not take effect in the event that the takeover bid is executed.

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At 30 June 2020 the Company held 348,525 treasury shares acquired at a weighted average cost of €17.48 per share (79,356 treasury shares at 30 June 2019 at a weighted average cost of €19.10 per share).

c) Retained earnings and other reserves

At 30 June 2020 and 31 December 2019 the amount of the legal reserve was €119 thousand.

d) Gain/ (Loss) per Share

Basic earnings

Basic earnings per share are calculated by dividing profit/ (loss) for the period attributable to equity holders of the Parent company by the weighted average number of ordinary shares in circulation during the period, excluding treasury shares.

The detail of the calculation of basic loss per share is as follows:

	30/06/2020	30/06/2019
Profit (/loss) for the period attributable to equity holders of the Parent company (Thousand Euro)	1,490	(33,733)
Weighted average number of ordinary shares in circulation (in thousands of shares)	131,481	123,625
Basic earnings/ (loss) per share (in euros)	**0.011**	**(0.273)**

The weighted average number of ordinary shares in circulation has been determined as follows:

In Thousands of shares	30/06/2020	30/06/2019
Shares in circulation at 1 January	131,715	120,211
Effect of shares issued during the period	-	3,496
Effect of treasury shares	(234)	(82)
Weighted average number of ordinary shares in circulation at 30 June	**131,481**	**123,625**

Diluted earnings

Diluted earnings per share are calculated by adjusting profit (/loss) for the period attributable to equity holders of the parent company and the weighted average number of ordinary shares in circulation for all diluted effects inherent in the potential ordinary shares.

The breakdown of the calculation of diluted earnings (/loss) per share are as follows:

	30/06/2020	30/06/2019
Profit (/loss) for the period attributable to holders of equity Instruments of the Parent company (diluted) (Thousand Euro)	1,490	(28,877)
Weighted average number of ordinary shares in circulation (diluted) (in thousands of shares)	131,481	145,062
Diluted earnings/ (loss) per share (in euros)	**0.011**	**(0.199)**

The reconciliation of the profit (/loss) for the period attributable to holders of equity instruments of the parent company to the profit (/loss) for the period attributable to holders of equity instruments of the parent company (diluted) is as follows:

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Thousand Euro	**30/06/2020**	**30/06/2019**
Profit (/loss) for the period attributable to holders of Equity Instruments in the Parent company	1,490	(33,733)
After-tax financial expenses of convertible bonds	-	4,856
Profit (/loss) for the period attributable to holders of Equity Instruments of the Parent company (diluted)	**1,490**	**(28,877)**

The weighted average of diluted ordinary shares in circulation have been determined as follows:

In Thousands of shares	**30/06/2020**	**30/06/2019**
Weighted average number of ordinary shares in circulation	131,481	123,625
Effect of conversion of convertible debt securities	-	21,437
Weighted average of diluted ordinary shares in circulation	**131,481**	**145,062**

The effect of the conversion of convertible debt securities at 30 June 2019 includes the weighted effect of the shares that were convertible corresponding to the convertible debt securities subscribed by PLT VIII Holdco, S.à.r.l.

14. Financial liabilities

The breakdown is the following:

	30/06/2020		**31/12/2019**	
Thousand Euro	Non-current	Current	Non-current	Current
Loans and borrowings	2,084,804	53,493	1,407,927	18,747
Derivative financial instruments	164	-	288	-
Other payables	4,981	285,863	20,994	499,769
Lease liabilities	164,747	45,706	116,382	31,011
Other financial liabilities	16,713	204,694	16,159	136,768
Trade and other payables (note 16)	-	467,055	-	477,930
	2,271,409	**1,056,811**	**1,561,750**	**1,164,225**

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a) Loans and borrowings

The breakdown of loans and borrowings, which are presented at amortised cost, is as follows:

	30/06/2020		31/12/2019	
Thousand Euro	Non-current	Current	Non-current	Current
Loans	2,084,804	873	1,407,927	643
Credit facilities	-	52,620	-	17,652
Other debts with banks	-	-	-	452
	2,084,804	**53,493**	**1,407,927**	**18,747**

On 7 May 2019 the Group signed a financing agreement with several national and international banks for an amount of €1,700 million, the purpose of which is to refinance its capital structure. The new financing has been structured as follows:

- €1,450 million from a loan with no servicing covenants (TLB) with an estimated cost of Euribor + 3.25% and placed with institutional investors. The loan has a single repayment (bullet repayment) after 7 years (May 2026), with no intermediate repayments. In November 2019, a repricing of the TLB was implemented, reducing its cost to Euribor +2.625%, which will be applied until the maturity of the instrument. At 30 June 2020, the Group had drawn down the entirety of the aforementioned loan.

- Credit facilities for €250 million granted by several financial institutions whose conditions are associated with certain sustainability criteria. These credit facilities are mainly used to finance investments amounting to €150 million and the Group's operating requirements amounting to €100 million. At 30 June 2020 the Group had drawn down €95 million of these credit facilities (see note 2 (b)).

- In addition, the financing structure signed allows (i) the senior debt to be increased to a ratio of 4.0x (Net Senior /Debt EBITDA), (ii) additional subordinated debt to be incurred and (iii) to have a financing "basket" that increases proportionally to the growth of EBITDA as defined by the contract.

In order to mitigate the volatility of the interest rate risk on this loan, and in accordance with the provisions of the contract on minimum required hedging limits, the Company has arranged a series of financial hedging instruments. At 30 June 2020, the Group had contracted interest rate cash flow hedging instruments with the borrowing financial institutions, which cover 50% of the nominal amount of the debt drawn down.

This new debt is secured by the shares of the Company's main subsidiaries.

On 21 May 2020, the Group entered into a bridge financing agreement with two international financial institutions for €600 million to acquire Lyca (see note 3.1 a) and for other corporate purposes. This agreement is an incremental financing to the senior financing agreement signed on 7 May 2019 mentioned above. The loan has a maximum duration of 2 years, with no intermediate repayments and accrues an increasing interest rate in quarterly instalments. At 30 June 2020, the Group had drawn down €582,000 million on this loan.

Credit facilities accrue interest at market rates.

b) Other payables

This note provides information about the contractual terms of other debts, which are measured at amortised cost. For further information on the Group's exposure to interest rate, currency and liquidity risk, see note 17.

"Other Debt" mainly includes accounts payable to suppliers of non-current fixed assets for the deployment of the telecommunications network amounting to €280,055 thousand (31 December 2019: €487,780 thousand).

This heading also includes the balance of loans granted by public agencies (Ministry of Industry, Tourism and Trade), at effective interest rates ranging from 0.00% to 4.00%, for a total of €8,324 thousand at 30 June 2020 (€8,767 thousand at 31 December 2019). The current tranche amounted to €5,797 thousand at 30 June 2020 (€6,192 thousand at 31 December 2019), whereas the non-current tranche amounted to €2,527 thousand (€2,575 thousand at 31 December 2019).

c) Lease liabilities

This heading includes the amount of liabilities related to lease contracts in accordance with IFRS16 which, at 30 June 2020, amounted to €164,747 thousand in the long term (€116,382 thousand at 31 December 2019) and €45,706 thousand in the short term (€31,011 thousand at 31 December 2019).

d) Other financial liabilities

As of 30 June 2020, it mainly includes the following items:

- €21,069 thousand relating to the discounted value of the amount payable to Jazz Telecom S.A.U. as a result of the contract signed for the assignment of the indirect right to use the copper network from Telefónica de España, S.A. by that company to the subsidiary MásMóvil Broadband, S.A.U., of which, €16,713 thousand are non-current.

- Deferred payments for business combinations for 2019 and the six-month period ended 30 June 2020 amount to €30,297 thousand (see note 3).

- €169,835 thousand relating to promissory notes issued under the 2019 Promissory Note Programme registered on the Alternative Fixed Income Market (MARF) for a maximum amount of €200,000 thousand. The promissory notes have been issued at interest rates of between 0.15% and 0.18% per annum.

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e) Other information on debts

Loans with credit institutions that are secured by a mortgage (see note 5), and their balance at 30 June 2020 and 31 December 2019, are as follows:

Thousand Euro	Guarantee	**30/06/2020**	**31/12/2019**
Banco Santander, S.A.	Mortgage Loan	49	76
Banco Cooperativo	Mortgage Loan	44	65
Banco de Sabadell, S.A.	Loan	53	71
		146	**212**

These loans bear interest at rates of between 3% and 4.5%.

15. Provisions

The breakdown of provisions at 30 June 2020 and 31 December 2019 is as follows:

	30/06/2020		**31/12/2019**	
Thousand Euro	Non-current	Current	Non-current	Current
Provision for unfavourable/onerous contracts	39,010	15,927	43,659	4,108
Provision for commercial transactions	3,307	7,863	3,256	9,186
Provision for decommissioning	8,346	-	8,346	-
Provision for obligations to staff	-	129,169	-	82,198
Provisions for other responsibilities	1,817	9	2,177	-
Other provisions	-	-	132	-
	52,480	**152,968**	**57,570**	**95,492**

The movement of the provisions is as follows:

Thousand Euro	Provision for unfavourable/ onerous contracts	Provision for commercial transactions	Provision for decommiss ioning	Provision for obligations with staff (Note 21 c)	Provisions for other responsibilit ies .	Other provisions	Total
Balance at 31 December 2019	**46,005**	**12,442**	**8,346**	**82,198**	**2,177**	**132**	**151,300**
Restatement of business combinations (note 3.3)	1,762	-	-	-	-	-	1,762
Balance at 31 December 2019 (restated)	**47,767**	**12,442**	**8,346**	**82,198**	**2,177**	**132**	**153,062**
Provisions for the period	352	1,179	-	46,971	168	-	48,670
Business combinations (note 3.1)	11,819	-	-	-	-		11,819
Applications	(5,001)	-	-	-	(519)	(64)	(5,584)
Reversals	-	(2,451)	-	-	-	(68)	(2,519)
Balance at 30 June 2020	**54,937**	**11,170**	**8,346**	**129,169**	**1,826**	**-**	**205,448**

Provision for unfavourable/onerous contracts

At 30 June 2020, a provision of €43,119 thousand is included (€45,173 thousand at 31 December 2019) for a contract held by Xfera Móviles S.A.U. for the rental of telecommunications infrastructure, the price of which is considered to be above the market price. This provision is reversed in through the income statement over the contract term which expires in 2030. During the six-month period ended 30 June 2019 an amount of €2,054 thousand was allocated to the income statement.

The additions due to business combinations in the period relate to the roaming contracts maintained by Lycamobile S.L.U. and the Ocean's Network, S.L. business unit, the price of which is estimated to be above the market price and which have arisen in the business combinations included in Notes 3.1 a) and 3.1 b).

Provision for commercial transactions

Xfera Móviles S.A.U. offers its customers subscription services with access to a handset financing model, mainly with bank resources, for a period of 24 months, plus a final fee (Cuota 25). When the financing contract expires, the customer has the option of paying the final instalment or selling the terminal to the Group for the amount of the aforementioned Cuota 25. The Group estimates a provision for commercial transactions to cover possible risks arising from non-payment of financing and the purchase of terminals, taking into account the market value of the terminal if purchased from the customer.

Provision for decommissioning of sites

The heading "Provision for Decommissioning of Sites" includes the estimated cost of decommissioning, withdrawal or rehabilitation of telecommunications infrastructure, recognised as an increase in the value of the assets, amounting to €8,346 thousand (31 December 2019: €8,346 thousand), calculated on the basis of the estimated unit cost of decommissioning and the hypothetical termination of the contract based on the experience obtained since the launch. The Group reviews, at least at the end of the year, its estimates and updates them when necessary to record the provision at its estimated value.

Provision for obligations to staff

In the six-month period ended 30 June 2020 the Group has increased the provision by €46,875 thousand (€4,116 thousand in 2019) to cover the share revaluation rights plan it has with certain executives and employees (see note 21 c)). The provision, determined in accordance with the *Black-Scholes* valuation model, was made using the Financial Expenses account. The plan is set to expire on 1 September 2020.

This provision also includes the estimate of the redundancy and compensation costs to be paid.

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16. Trade and other payables

The breakdown of trade and other payables is shown below:

Thousand Euro	**30/06/2020**	**31/12/2019**
Trade creditors	438,148	451,890
Public Administration	69,330	25,744
Personnel	7,401	12,277
Advances to customers	356	395
Other debts	21,150	13,368
	536,385	**503,674**

17. Risk Management and Fair Value

General

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

- Credit risk,
- Liquidity risk,
- Market risk,

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 established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to 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 program focuses on minimising the uncertainty of financial markets and the potential adverse effects on the Group's financial yields. Some group subsidiaries use derivatives to hedge against certain risks.

a) Credit risk

Credit risk is defined as the risk of financial loss to which the Group is exposed if a customer or counterparty fails to comply with their contractual obligations relating to a financial instrument, and mainly stems from trade receivables and the Group’s investment instruments.

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The maximum exposure to credit risk deriving from borrowings and other receivables at the date of the Condensed Consolidated Statement of Financial Position is as follows:

Thousand Euro	**30/06/2020**	**31/12/2019**
Credits to companies (note 10)	34,421	29,484
Equity instruments (note 10)	416	414
Deposits and guarantees (note 10)	3,127	2,613
Other financial assets (note 10)	4,883	4,173
Trade and other receivables (note 12)	251,454	208,167
	294,301	**244,851**

The Group does not have significant concentrations of credit risk and maintains policies to ensure that sales are made to customers with an adequate credit history.

Where the Group provides financing from its own resources for the acquisition of terminals, the accounts receivable from customers are reflected under "Trade and other receivables".

The Group has policies to limit the amount of risk assumed with respect to customers and any financial institution, and the exposure to the risk of recovering loans is managed as part of the ordinary course of business. The Group has policies to ensure that sales of products on a wholesale basis are made to customers with an adequate credit record.

The Group has formal procedures to detect the impairment of trade receivables. Through these procedures, the Group estimates, based on current default experience over the last 12 months, the default rates for commercial loans, recording the expected credit loss at the beginning of the loan. The main components of this impairment are related to individually significant exposures and a component of the collective loss is established for groups of similar assets relating to losses that have been incurred but have not yet been identified.

Trade receivables are initially measured at fair value, which is the same as the nominal value of the receivable, less any expected loss over the expected life of the receivable.

There is no significant unprovisioned delinquent debt, and it should be noted that customer balances from business combinations have been integrated at market value and, therefore, net of their allowance for loan losses.

With respect to COVID-19, the Group considers that it has not had a significant impact on credit risk and financial assets at 30 June 2020.

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering 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, both in normal and difficult conditions, to avoid incurring unacceptable losses or risking its reputation.

The Group applies prudent liquidity risk management, based on maintaining sufficient cash and marketable securities, the availability of financing through a sufficient amount of committed credit

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facilities and sufficient capacity to settle market positions. Given the dynamic nature of the underlying businesses, the Group's Finance Department aims to maintain flexibility in financing through the availability of contracted credit facilities.

At 30 June 2020, the Group's available cash amounted to €247,514 thousand (€63,037 thousand at 31 December 2019). The net cash generated by operating activities during the six-month period ended 30 June 2020 was positive amounting to €207,214 thousand (positive €166,347 thousand in 30 June 2019).

The contractual maturity dates of financial liabilities, including estimated payments for interest are presented below:

Thousand Euro	30/06/2020							
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**More than 1 year and no more than 2 years**	**More than 2 years and no more than 3 years**	**More than 3 years and no more than 4 years**	**More than 4 years and no more than 5 years**	**more than 5 years**
Loans and borrowings	2,138,297	2,180,980	53,493	582,487	-	-	-	1,545,000
Derivative financial instruments	164	164	-	-	164	-	-	-
Other debts	290,844	290,931	285,863	3,284	371	311	271	831
Lease liabilities	210,453	210,452	45,706	25,146	28,179	26,720	21,700	63,001
Other financial liabilities	221,407	222,094	204,694	3,900	4,500	9,000	-	-
Trade and other payables	467,055	467,055	467,055	-	-	-	-	-
	3,328,220	3,371,676	1,056,811	614,817	33,214	36,031	21,971	1,608,832

With regard to the impact of COVID-19, it is foreseeable that the general situation of the markets could lead to a general increase in liquidity tensions in the economy, as well as a contraction in the credit market. In this sense, the Group has financing facilities available as at 30 June 2020 for €155,000 thousand to improve and efficiently manage liquidity, which will enable it to face up to these tensions in the current scenario.

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 objective of managing market risk is to manage and control exposure to this risk within reasonable parameters at the same time as optimising returns.

Interest rate risk

The Group's interest rate risk arises mainly from loans from financial institutions. These loans are issued at floating rates and expose the Group to interest rate risk on future cash flows.

An increase in reference rates, in this case Euribor, could raise the cost of financing for the Group and thus divert resources from the Group's activities to other purposes.

To mitigate this risk, the Group has arranged hedging instruments to convert part of the debt at a fixed interest rate and reduce interest rate risk in future cash flows. The Group's current policy is to maintain a low level of leverage at floating rates by contracting interest rate derivatives.

At 30 June 2020 the Group had contracted interest rate hedging instruments covering 50% of the amount drawn down of the loan mentioned in note 14 a).

d) Capital management

The Group manages its capital structure and makes adjustments to it in line with changes in economic conditions. In order to maintain and adjust the capital structure, the Directors assess and, where appropriate, adopt the most appropriate policies relating to dividend payments, self-financing of investments, term debt, etc.

The Group's capital management is focused on safeguarding the Group's ability to continue operating under the going concern principle and ensuring its growth in a sustained manner, with the objective of providing returns to shareholders while maintaining an optimal capital structure to reduce the cost of capital, which is currently aimed at meeting the debt ratios required in the loan signed with various financial institutions (see note 14 (a)).

18. Other non-current liabilities

The changes in other non-current liabilities, the headings of which are explained in the 2019 consolidated annual accounts, are as follows:

Thousand Euro	**30/06/2020**	**31/12/2019**
Opening balance	166,418	133,219
Additions	10,232	39,714
Transfer to results	(3,885)	(6,515)
Final balance	**172,765**	**166,418**

19. Income tax

The reconciliation between the tax income expense and the accounting profit from continuing operations is as follows:

Thousand Euro	**30/06/2020**	**30/06/2019**
Profit/(Loss) for the year from continuing operations, before income tax	5,427	(47,271)
Tax calculated at the corresponding rate	(1,358)	11,818
Adjustments to Income tax	(2,579)	1,720
Unrecognised tax credits	-	-
Tax on profit/(loss) expense	**(3,937)**	**13,538**

Consolidated profit/(loss) consists of the profits and losses contributed by the companies in the consolidation group, and the applicable tax rate is 25%.

Tax adjustments are mainly due to tax amortisation of goodwill and movements in provisions for the period and the inclusion of the results of companies consolidated under the equity method.

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20. Income and expenses

a) Revenue

The breakdown of revenue is as follows:

Thousand Euro	**30/06/2020**	**30/06/2019**
Business, SOHO and wholesale	142,545	102,167
Residential	754,871	689,746
	897,416	**791,913**

The Group's activity mainly consists of the rendering of landline, mobile phone and broadband services. These transactions constitute the Group's only segment of activity.

The Group differentiates between the following types of customers:

- Residential: customers in this group are offered landline, mobile phone and broadband services.

- Business: landline, mobile phone, broadband and data services, as well as other value-added services such as data centres, cloud, virtual PBX, email and video conferencing.

- SOHO: telecommunications services to the self-employed and professionals

- Wholesale: wholesale services comprising voice solution sales to other sector operators, without access as the customers already have their own network.

b) Supplies

The breakdown is as follows:

Thousand Euro	**30/06/2020**	**30/06/2019**
Consumption of merchandise	71,637	84,919
Other Supplies	228,641	200,120
Work carried out by other companies	100,592	90,893
	400,870	**375,932**

Other supplies comprise mainly roaming, interconnection services, bitstream and value-added services.

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c) Employee benefits expenses

The breakdown of the employee benefits expense is as follows:

Thousand Euro	**30/06/2020**	**30/06/2019**
Wages and salaries	26,435	23,080
Social contributions	7,657	6,701
	34,092	**29,781**

The average headcount of the Group, distributed by gender and category, is as follows:

	30/06/2020		**30/06/2019**	
	Men	**Women**	**Men**	**Women**
Board Members	9	3	10	2
Management	63	12	61	14
Technical personnel	203	55	132	40
Administrative staff	49	34	41	40
Other employees	310	226	269	209
	634	**330**	**513**	**305**

The distribution of employees with a disability rating of 33% or higher (or equivalent local rating) during the six-month period ended 30 June 2020 is as follows:

	30/06/2020	**30/06/2019**
Administrative staff	1	1
Others	2	2
	3	**3**

d) Other operating expenses

The breakdown of other operating expenses is as follows:

Thousand Euro	**30/06/2020**	**30/06/2019**
Royalties	23,723	23,593
Repairs and maintenance	33,686	30,270
Independent professional services	58,013	53,851
Other services	36,336	36,967
Transport	1,033	1,542
Insurance fees	469	419
Bank and other similar services	5,760	6,373
Advertising, publicity and public relations	34,017	29,668
Supplies	2,732	2,063
Other operating expenses	8,877	5,431
Levies and other taxes	4,628	5,896
Loss, impairment and changes in provisions (note 12)	22,617	19,717
	231,891	**215,790**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

21. Related-parties

a) Related-party balances

The breakdown of balances with related-parties at 30 June 2020 and 31 December 2019 is as follows:

	30/06/2020		31/12/2019	
Thousand Euro	Related-parties	Total	Related-parties	Total
Assets				
Loans and credits granted (note 10)	28,904	28,904	22,303	22,303
Total assets	**28,904**	**28,904**	**22,303**	**22,303**

On 16 September 2019, the subsidiary Xfera Móviles, S.A.U. granted a credit facility of €34,180 thousand to a related party, of which at 30 June 2020 the latter had drawn down €28,904 thousand at 30 June 2020 (€22,303 thousand at 31 December 2019). The loan accrues interest in accordance with the PIK margin and matures on 16 September 2024.

The related-party has granted Xfera Móviles, S.A.U. a call option right to the related-party's interest in the financing it provides to another related party together with other financial institutions and, in turn, Xfera Móviles, S.A.U. has granted the related party a put option on the latter's interest in the financing of the other related party. The granting of these call and put options has been formalized in the context of such financing, and is done free of charge, at no cost or premium. The period for exercising these options is that of the aforementioned financing agreement, which is subject to the declaration of the occurrence of an event of early maturity of the financing agreement, which is not currently the case, and which has not been remedied by the other related party within the periods established in the contract, which would trigger the commencement of actions aimed at accelerating the debt and the enforcement of any of the collateral guarantees granted. In the event these options are exercised, Xfera Móviles S.A.U. would be placed in the debtor position that the binding party currently has with the other related-party with respect to the financing contract.

b) Related party transactions

The breakdown of related party transactions during the six-month period ended 30 June 2020 and 30 June 2019 are as follows:

	30/06/2020		
Thousand Euro	Directors and Senior Management of The Parent Company	Other related parties	Total
Expenses			
Salaries and allowances	6,145	-	6,145
Total Expenses	**6,145**	**-**	**6,145**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Thousand Euro	Directors and Senior Management of The Parent Company	Other related parties	Total
Income			
Financial income	-	1,755	1,755
Total income	**-**	**1,755**	**1,755**

	30/06/2020		
Thousand Euro	Directors and Senior Management of The Parent Company	Other related parties	Total
Expenses			
Salaries and allowances	6,145	-	6,145
Total Expenses	**6,145**	**-**	**6,145**

	30/06/2019		
Thousand Euro	Directors and Senior Management of the Parent Company	Other related parties	Total
Expenses			
Salaries and allowances	5,132	-	5,132
Financial expenses	-	98,101	98,101
Total Expenses	**5,132**	**98,101**	**103,233**

At 30 June 2019, the financial expenses corresponded to the interest accrued with Providence for the convertible bonds and the expenses for the cancellation of the aforementioned bonds, as well as the valuation of the derivative financial instrument (Collar).

c) Information on the directors and senior management of the Group

During the six-month period ended 30 June 2020 the directors of the Company received remuneration of €3,286 thousand in their capacity as such (€2,500 thousand at 30 June 2019). During the six-month period ended 30 June 2020, the senior management accrued short-term employee benefits of €2,859 thousand (€2,632 thousand at 30 June 2019).

The Directors have not received any loans or advances, nor has the Company extended any guarantees on their behalf. The accrued expense for Directors' liability insurance premiums for damage caused by acts or omissions in the performance of their duties in the six-month period ended 30 June 2020 amounted to €147 thousand (€117 thousand in the six-month period ended 30 June 2019). The Group has no pension or life insurance obligations with the Parent Company's former or current Directors.

Share price revaluation rights plan (see note 15)

The fair value of the liabilities at 30 June 2020 for Directors and Senior Management amounts to €91.8 million.

d) Transactions other than ordinary business or under terms differing from market conditions carried out by senior management personnel of the Parent

With the exception of the transactions with related parties disclosed previously, during the six-month period ended 30 June 2020 the Directors of the Company and senior management of the Group have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Parent Company or any other Group company.

e) Conflicts of interest concerning the directors of the Parent

The Directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

22. Guarantees and Contingencies

Breakdown of the Group's guarantees in place at 30 June 2020 and 31 December 2019 to secure fulfilment of the obligations deriving from the licence granted, and in relation to legal appeals and supplier contracts, are as follows:

- Guarantees for the granting of the B2 licence amounting to €39,900 thousand (€39,900 thousand at 31 December 2019): the administrative contracts granting B2 licences for 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.

- In addition, the Group has provided guarantees for various commitments amounting to €121,510 thousand (€91,814 thousand at 31 December 2019), the most significant of which relate to corporate transactions, leases of premises, guarantees arising from commercial agreements, various appeals filed in connection with the settlement of local authorities and other public bodies and the suspension of the payment of the fee for the radioelectric public domain reserve relating to the 3.5 GHz band.

On 12 July 2019 the Group received the resolution of the Central Economic-Administrative Tribunal upholding the Group's allegations in relation to the three provisional assessments issued by the Tax Administration State Agency in respect of Business Tax (IAE) for the years 2013, 2014 and 2015. This resolution entails the return of the guarantees provided amounting to €11,347 thousand, which has not occurred at the date of preparation of these Interim Financial Statements.

The subsidiary Xfera Móviles, S.A.U. offers its customers financing, using its own resources or through agreements with different financial institutions, for the purchase of handsets when acquired in conjunction with a subscription to telecommunications services. In the case of financing through financial institutions, Xfera Móviles, S.A.U extends them a guarantee on behalf of its customers to cover any potential defaults on the loan repayments, which is why it recognises a provision for commercial transactions (see note 12). The total amount financed through financial institutions at 30 June 2020 came to €146 million (€166 million at 31 December 2019).

The Directors of the Group do not consider that any risks exist in relation to the situations covered by the guarantees provided. They also consider that there are no other significant potential litigations that could lead to risks for the Group.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

23. Subsequent events

The General Shareholders' Meeting held on 8 July 2020 approved a medium and long-term remuneration scheme, on an extraordinary and nonconsolidable basis, for certain employees and members of the Company's management team, including the Managing Director. The remuneration scheme to be implemented will consist of an extraordinary variable remuneration in cash based on the increase in value of the Company's shares during a certain period of time, taking as a reference their share price. Under this scheme, the Company will grant each beneficiary, including the Managing Director, a certain number of rights to be received, after a certain period of time, and provided that certain conditions have been met, a cash amount linked to the increase in value of the share. The Plan will start on 1 September 2020 and will have a maximum duration of three years and six months.

On 14 July 2020, the subsidiary Xfera Móviles S.A.U. acquired from GAEA Inversión SCR, S.A. 20.011% of its ownership interest in Senior Telecomunicaciones y Servicios Avanzados S.L. for €667 thousand, thereby eliminating the call and put options on these investments.

ANNEX I – Details of subsidiaries as at 30 June 2020
30/06/2020

Corporate name	Registered Address	Activity	Auditor	Shareholder	% Stake	Percentage of voting rights	Consolidation method
Xtra Telecom, S.A.U.	Avda. de Bruselas 38. Alcobendas	Activities and services in the field of telecommunications	KPMG	Xfera Móviles, S.A.U.	100.00%	100.00%	Control
MásMóvil Broadband, S.A.U.	Avda. de Bruselas 38. Alcobendas	Activities and services in the field of telecommunications	KPMG	Xfera Móviles, S.A.U.	100.00%	100.00%	Control
Embou Nuevas Technologías, S.L.U.	Avda. Juan Pablo II, Nº 35. Planta 11, Zaragoza	Consultancy and business advisory services in the field of telecommunications and new technologies	n/a	Xfera Móviles, S.A.U.	100.00%	100.00%	Control
MásMóvil Investments, S.L.U.	Avda. de Bruselas 38. Alcobendas	Telecommunications services and deployment and operation of telecommunications networks in Spain	n/a	MásMóvil Broadband, S.A.U.	100.00%	100.00%	Control
MásMóvil Infrastructures, S.L.U.	Avda. de Bruselas 38. Alcobendas	Telecommunications services and deployment and operation of telecommunications networks in Spain	KPMG	MásMóvil Broadband, S.A.U.	100.00%	100.00%	Control
Masmovil Phone and Internet, S.A.U.	Avda. de Bruselas 38. Alcobendas	Holding company	n/a	MásMóvil Ibercom, S.A.	100.00%	100.00%	Control
MásMóvil Holdphone, S.A.U.	Avda. de Bruselas 38. Alcobendas	Holding company	n/a	Masmovil Phone and Internet, S.A.U.	100.00%	100.00%	Control
Xfera Móviles, S.A.U.	Avda. de Bruselas 38. Alcobendas	Activities and services in the field of telecommunications	KPMG	MásMóvil Holdphone, S.A.U.	100.00%	100.00%	Control
Pepeworld, S.L.U.	Avda. de Bruselas 38. Alcobendas	Holding company	n/a	Xfera Móviles, S.A.U.	100.00%	100.00%	Control
Pepe Energy, S.L.U.	Avda. de Bruselas 38. Alcobendas	Electricity supply	n/a	Pepe World, S.L.U.	100.00%	100.00%	Control
Pepemobile, S.L.U.	Avda. de Bruselas 38. Alcobendas	Telecommunications services; IT services; development, sale and distribution of IT programs and materials	KPMG	Pepe World, S.L.U.	100.00%	100.00%	Control
The Bymovil Spain, S.L.U.	Polígono Mies de Molladar D-9, Cartes (Cantabria)	Marketing and selling of electrical, electronic and telephone materials	KPMG	Xfera Móviles, S.A.U.	100.00%	100.00%	Control
Guuk Telecom, S.A.	Parque Empresarial Zuatzu, Edificio Easo, 2ª planta, Nº 8 - San Sebastián (Guipúzcoa)	Activities and services in the field of telecommunications	n/a	Xfera Móviles, S.A.U.	70.06%	70.06%	Control
Netllar Telecom, S.L.	Av. Padre Carlos Ferris 119. Albal (Valencia)	Activities and services in the field of telecommunications	Deloitte, S.L.	Xfera Móviles, S.A.U.	100.00%	100.00%	Control
Carrier e-Mobile, S.L.U.	Av. Padre Carlos Ferris 119. Albal (Valencia)	Activities and services in the field of telecommunications	Deloitte, S.L.	Xfera Móviles, S.A.U.	100.00%	100.00%	Control
Lycamobile S.L.U.	Avda. de Bruselas 38. Alcobendas	Activities and services in the field of telecommunications	KPMG	Xfera Móviles, S.A.U.	100.00%	100.00%	Control
Cabonitel, S.A.	Alameda dos oceanos 21101A, Lisboa, Portugal	Activities and services in the field of telecommunications	Deloitte Portugal	MásMóvil Ibercom, S.A.	49.99%	49.99%	Significant influence
Senior Telecomunicaciones y Servicios Avanzados S.L.	C/ Maria Tubau 8 4ª 28050 - 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.	n/a	Xfera Móviles, S.A.U.	49.99%	49.99%	Control
Spotting Developments, S.L.	Calle Ramon y Cajal 2. Las Rozas de Madrid, (Madrid)	Activities and services in the field of telecommunications	KPMG	Xfera Móviles, S.A.U.	50.0001%	50.0001%	Control
Inversiones Locua, S.L.	Las Rozas de Madrid (Madrid)	Marketing or holding of fixed or mobile network	KPMG	Spotting Developments, S.L.	31.66%	31.66%	Significant influence
Xfera Consumer Finance Establecimiento Financiero de Crédito, S.A.	Calle Retama 3. Madrid	Personal loans and credits	Mazars	Xfera Móviles, S.A.U.	49.00%	49.00%	Significant influence
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	KPMG	Xfera Móviles, S.A.U.	45.00%	45.00%	Significant influence

Consolidated Interim Management Report

for the six-month period ended 30 June 2020

TRUE AND FAIR IMAGE OF THE BUSINESS

During the first quarter of 2020 Spanish GDP suffered a 5.2% quarter-on-quarter decline (INE), which represents a year-on-year decrease of -4.1% (INE) as a result of the drop in activity in the last two weeks of March due to the Covid 19 pandemic, with (FUNCAS) estimating the figure of the fall in the second quarter at -18% quarter-on-quarter. The economic recovery began in May and continued in June, but did not reach pre-pandemic levels.

Consumption, as reflected in its indicators, offers encouraging signs with rebounds in retail sales from May and in car registrations in June, payments made with cards at POS, also point to a progressive recovery, approaching pre-pandemic levels at the end of June.

The evolution of prices according to the annual variation rate of the CPI for the month of June stood at -0.3% (INE), six tenths above that registered in May.

Employment has been very negatively affected. Although no data is available for the second quarter, employment in the first quarter fell by 285,600 people. It should be taken into account that this figure does not include those affected by an ERTE with suspension of employment (furlough) which, according to EAPS methodology (INE), are considered to be employed while this suspension is less than three months, in this way unemployment has increased by 121,000 people, however, it is likely that many workers who have lost their jobs have been classified as inactive (their number has increased by 257,500 this quarter).

Interest rates remain at historically low levels. The one-year Euribor is still at a low (-0.28% in July 2020), and is expected to remain at these levels without expectations of a rise given the ECB's policies and measures to maintain economic activity.

Although overall the first half of the year was particularly negative due to the pandemic, under the assumption of controlled resurgence and considering the policy measures already decided (ICO loans for companies in difficulty, extension of ERTES, sectoral plans), the recovery that began after the confinement period should continue. This recovery will be uneven across sectors, with the pharmaceutical industry, health and communications services benefiting, while others such as tourism, entertainment and the automotive industry will experience a prolonged recession.

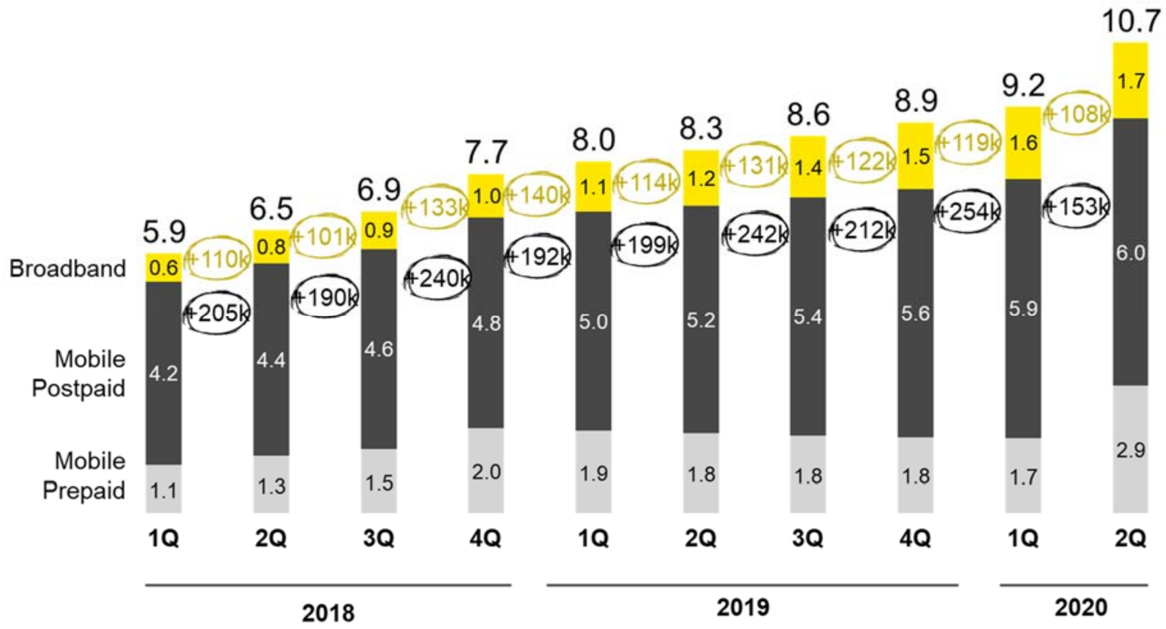
Commercial information

During the state of alarm due to COVID-19 decreed by the Spanish Government, the telecommunications sector was affected by the prohibition of portability of landlines and initially also mobiles, as well as by the prohibition of cutting off the telecommunications service to any customer due to non-payment of bills.

Notwithstanding the above, the Group has shown resilience to this crisis.

The Group has reached 10.7 million lines as of 30 June 2020 including the prepaid mobile lines of the newly acquired Lyca. Specifically, at 30 June 2020, the Group had 8.9 million active mobile lines and more than 1.7 million fixed broadband customers, representing annual increases of 27% and 42% respectively.

Growth in mobile and broadband lines 2018 - 2Q20
(in millions of lines)



In 2019 the Group led the portability rankings, both in the mobile and landline segment. Although there is no official data published by the CNMC for the first quarter of 2020, according to the information available in January and February the Group continues to be the leader in portability.

In the first half of 2020, the Group continued to promote its business model based on a multi-brand positioning. In the operational field, important achievements have been made, including:

In the commercial area, several activities have been carried out during the first half of 2020

- The advertising campaign for the new positioning of the MÁSMÓVIL brand was launched, achieving historical records in brand tracking KPIs (recall, honesty, etc.) and in branded searches on Google. This launch has been accompanied by new products to increase the ARPU of the MÁSMÓVIL brand portfolio (e.g. new bond porfolio, upsells)
- Putting SKY and Flixole TV service promotions for MÁSMÓVIL and Yoigo branded customers on the market
- The new offer has been launched, new international bonds and "accumulates Gigas" for the Lebara brand.
- MÁSMÓVIL's new APP has been put into commercial operation on the Group's multi-brand platform. Pepephone and YOIGO's APPS become the best rated in the Android market in the telecommunications sector (Pepe 4.8; YOIGO 4.5)
- The Group has also carried out various activities related to the COVID-19 health crisis:
  - Adapting Yoigo, MÁSMÓVIL and Pepephone taglines and campaigns
  - Adapting the product portfolio of all brands
  - Creating the Coronavirus edition of the Branded Content platform "I think, then I act" with more than 500 solidarity initiatives. The "Hero" stories were also modified to suit the situation
- In line with the 2019 activity, in 2020 the company continued with the objective of boosting the business of companies with new products such as Yoigo Pro, a new switchboard service, and the SD - WAN service in collaboration with Cisco to make it easier for companies to manage their private data networks and the new multi-site service was

launched, which allows MÁSMÓVIL Business customers to add Fibre lines to any of their sites or even their homes.

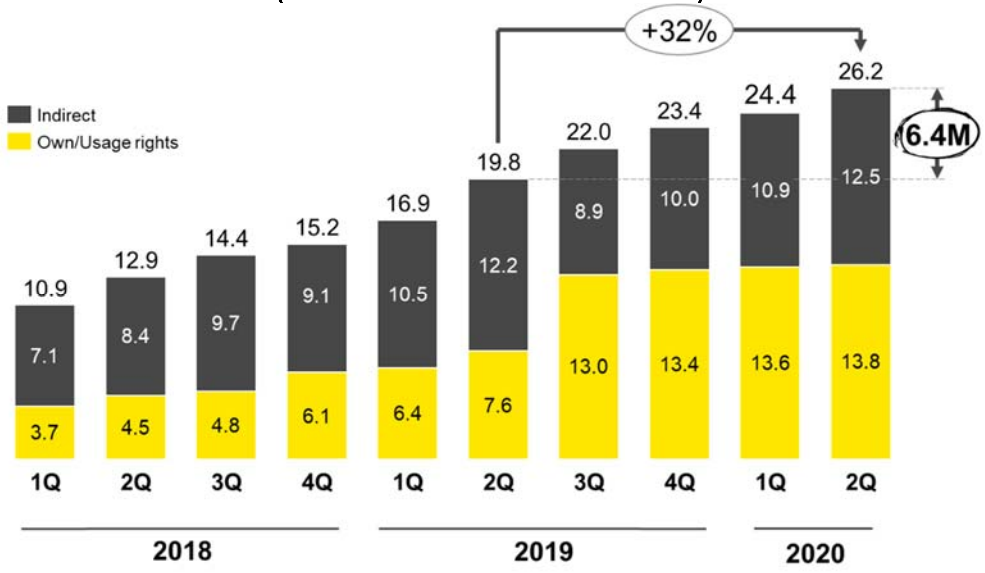
As a result of this effort, the group has led the FTTH network quality rankings, with the best upload/download/speed and latency according to the nPerf [1] report, as well as in customer satisfaction, where Yoigo was considered by the consulting firm Stiga [2] as the mobile operator with the best customer experience. In the first months of 2020, partially including the pandemic, also according to nPerf [3] MÁSMÓVIL Group's network has been considered the best in Spain during the peak days of the Covid19 health crisis and, on average, has provided higher download speeds than the competition along with lower average latency

Technical information

In the field of infrastructure and technology:

- The FTTH ("Fiber-to-the-Home") network reached 13.8 million real estate units ("UUII") with its own network or with optimized costs, which, together with the wholesale agreements signed with other operators, gives the Group access to more than 26.2 million UUII.
- During the first half of 2020, Grupo MÁSMÓVIL reached a wholesale bitstream access agreement with ORANGE by which both parties will deploy a total of 2.20 - 2.75M Real Estate Units ("UUII"), of which the Group has committed to deploy 0.5M, and may deploy another 250 thousand.

Fiber Footprint Expansion (FTTH) 2018- 2Q20
(in millions of real estate units)



The Group As regards mobile networks, in 2019 the reallocation of frequencies in the 2100 MHz band was practically completed, with the switch-off of one of the two 3G carriers to extend the 4G service in this band. In the first half of 2020 this has already meant an improvement in the use of the spectrum and the customer experience, achieving a doubling of the average speed for both uploading and downloading by users.

[1] https://media.nperf.com/files/publications/ES/2020-01-22_Barometro-internet-fijo-nPerf-2019.pdf
[2] http://stigacx.com/iscx
[3] https://bit.ly/2Vx5Bkd

In 2019 it deployed a pilot 5G network in 18 towns in the country. This pilot is being used in 2020 to analyse the technical performance of this technology in a real scenario, the usage behaviour of potential customers, as well as the development of cases of use with public bodies and companies.

As part of the 5G agreement signed with Orange in 2019 for the joint deployment of 5G in the country's major cities, a pilot is currently underway with the possibility of it being progressively available in commercial mode over the course of 2020 in a limited number of urban areas.

In addition, in 2020, activity continued in the access network, the core network and the shared transmission infrastructure were subject to continuous evolution in response to business needs. The projects executed during 2019 and the first half of 2020 have enabled the company to absorb a significant growth in customers and traffic during the state of alarm and confinement, providing the various platforms with sufficient capacity to support both new users and higher traffic profiles.

In the systems area, the different systems of the Group's companies continue to be progressively integrated, favouring the coordinated management of these systems. A relevant fact has been the growth of the internal team to adopt the company's digitalization strategy.

As indicated in the previous point, in 2019 the landline service user experience test (Perf) published for the year 2019 and based on real user experiences, the Group offered the most efficient fixed Internet access to its subscribers during the year. Specifically, the average data speed obtained is downloading (149.88 Mbps) (+ 44% compared to 2018), uploading (150.36 Mbps) (+ 47% compared to 2018) and latency (27ms) (Improvement +18%) to its subscribers throughout 2019. In 2020, during the pandemic, also according to nPerf [4] the network of the MÁSMÓVIL group was the best in Spain during the peak days of the COVID-19 health crisis .

With regard to landlines, it should be noted that the deployment of a smart agent (Smart WiFi) has continued, which by the end of 2019 was already more than 600K CPEs, allowing for more efficient monitoring and automatic management of WiFi in the home, which will lead to a reduction in complaints and greater customer satisfaction.

In the environmental aspect we should highlight:

- In 2020, the addition of new energy-saving features at base stations was completed, seeking to minimise equipment consumption in periods of low traffic.

- The project to optimise telecommunications infrastructures has continued, dismantling own sites to go to existing shared infrastructures which, in addition to reducing the number of facilities, minimises the impact on the landscape and improves efficiency. This year, 96% of the sites in the mobile network were located in sites shared with other operators.

Economic information

During this year, the Group consolidated and recognised its role as the fourth largest telecommunications operator in Spain, with significant increases in turnover, results and customers.

The Group maintained its interest during the first half in undertaking corporate operations in line with its strategy of growth, profitability, search for synergies and savings in its management. The following acquisitions have been completed, expanding the Group's consolidation perimeter:

- Acquisition of Lycamobile S.L.U.
- Acquisition of business unit from Ocean's Network, S.L.

The aforementioned growth strategy of the Group is also reflected in the signing of strategic agreements with the main operators in the sector, which will allow the Group to obtain significant cost savings, incorporate wholesale access to the Group's FTTH infrastructures from other operators, carry out joint deployment of FTTH networks and reduce the operational risks inherent in the migration of customers to the Group's own network as of 2020.

The Group's consolidated income, profit for the period and EBITDA figures are €924 million, €1.5 million and €249 million respectively. Adjusted consolidated EBITDA amounted to €277 million. The ratio of EBITDA to income is 27% and adjusted consolidated EBITDA is 30%.

	30/06/2020 Consolidated Group	**30/06/2019 Consolidated Group**
Profit/(Loss) for the period	1,490	(33,733)
Income tax expense / (income)	3,937	(13,538)
Net interest income	36,421	122,177
Depreciation and amortization expenses	154,157	123,191
EBITDA	**196,005**	**198,097**
Financial income	(2,339)	(728)
Share Revaluation Rights Plan	46,875	4,116
Lease interest	4,411	4,328
Other financial expenses	-	(7,981)
Change in fair value of financial instruments	(149)	10,222
Exchange rate differences	193	-
Income from impairment and losses of financial instruments	(1,171)	107
Results from equity-consolidated investments	5,583	-
Reported EBITDA:	**249,408**	**208,161**
Integration, migration expenses and other expenses	19,573	6,664
Impairment and result from disposals of assets	7,724	1,663
Adjusted EBITDA	**276,705**	**216,488**

Integration, migration expenses and other expenses include costs that would not have been incurred in the absence of the health crisis.

Shares Information

The performance of the Group's shares in the first half of 2020 has been affected by the COVID-19 pandemic, reaching a minimum of €12.20 on 20 March and subsequently recovering steadily to €18.70, as quoted on 29 May, the day before the takeover bid was announced, from which point it was slightly above €22.50; this being the acquisition price offered by potential buyers.

It should be noted that the telecommunications sector, especially during the pandemic, has been considered a safe haven sector and the Group, since it does not have a particularly significant weight in the business segment or a significant volume of traffic from "roamers" (foreign users in Spain) in Spain, has seen its share price recover more quickly than its national competitors from the negative effects of the pandemic.

However, this has negatively affected investors' perception of a potential worsening of the competitive environment in the Spanish market, due to various factors such as the emergence of new operators at a national level (this is the case of Euskaltel under the Virgin brand), the development of brands in the low-price segment or the launch by all operators of mobile tariffs with unlimited data. This negative perception has been maintained despite the fact that no significant changes in the commercial strategy of the main operators are expected in the short term.

Evolution of the workforce

At the end of the first half of 2020 and with respect to the annual closing of the previous year, the Group has increased its staff by 115 professionals. It currently has 1,030 professionals who, day by day, demonstrate a high commitment to a job well done, to the transformation of our business and to taking on and overcoming the new social and economic challenges that the future holds.

In this first half of the year, in addition to the continued effort to standardise the personnel management policies of the Group's various companies, a very ambitious process of transformation in the way we work has been carried out: in strategy, structure, people, processes and technology, with the goal of becoming a 100% agile organisation.

From an organisational point of view, it is important to emphasise that currently around 50% of the workforce carry out their entire activity within the agile model, and this is gradually being adopted by the rest of the organisation. Since its implementation, an organisational model based on tribes, squads and chapters has been created, pivoting around the most critical business processes and ensuring end to end accountability and collaboration.

A transformation office has also been set up to centralise support for teams and the implementation of good practices; this office is leading this process of digital transformation and cultural change, with the sponsorship of the Group's management. In practice, a flatter organisational structure has been promoted, without the traditional hierarchies, which makes it possible to adapt more quickly to changes in the environment, accelerate the process of continuous improvement, and reduce voluntary turnover and, therefore, loss of know-how.

The Group's mission is to create a solid, ambitious business project that is at the forefront of the market and has an attractive value proposition that generates high levels of employee commitment. In this way, it is possible to attract and retain the best professionals in the market.

In relation to attracting talent, it is worth highlighting the young talent programmes, which focus on identifying high-value profiles from universities. For the second consecutive year, the Group has launched its Research Chair with Carlos III University, through which the best prepared students participate in various lines of technological research, with practical and direct implications for the Group's projects. At the end and after the presentation of the projects, the best performing students become part of the staff, becoming the talent pool par excellence of the future leaders of the organisation.

In addition, all vacancies are advertised internally, in order to promote mobility and internal promotion. A policy of equal opportunity is maintained, regardless of race, nationality, gender, age, marital status, sexual orientation, disability, religious or political beliefs.

It is very important for the Group to have a high performance team. Therefore, and within the framework of talent management, the individual and collective contribution of employees is continuously measured and reflected upon. In recent months, the Group's Management by Objectives model has evolved towards a management framework by OKRs (Objective Key Results). The collective objectives gain weight, are differentiating, and the focus is on building bridges between the strategic objectives, the Key Results of the tribes, the main follow-up KPIs and the initiatives that are put in place to achieve them.

The governance of the model is carried out through the QBR (Quarterly Business Review) process: this is the space where the OKRs are monitored quarterly, inter- and intra-tribe initiatives are shared, dependencies are identified and work on continuous improvement is undertaken. This framework has served to increase transparency of information, give visibility to all levels of the organisation, increase accountability and centralize the company's activity in a single framework, reducing bureaucracy and low-value processes.

It is very important for the Group to ensure that the objectives set are met, but also that the staff are committed to the Group's values, develop their skills and/acquire new knowledge. For this, 360º evaluation processes are carried out with the participation of the person in charge, peers, direct team and colleagues from other tribes/areas.

Potential identification processes are also carried out, where different agilities are taken into account to determine the predisposition and speed of growth of employees. In addition, and for key groups, the Group relies on specialized partners to carry this out. With the information from the complete talent review process, bottom-up talent committees are held to share the main conclusions and to agree on the talent map that will mark the development and workforce planning actions.

Career and professional growth plans are also a differentiating element within the Group. For this, taking into account the outputs of the talent review process, the teams are given autonomy in their development: homogenizing progress criteria for the different profiles of the organisation and establishing a common framework of growth based on: knowledge, autonomy, role complexity and key competencies. Differentiated talent management processes are defined in order to accelerate the growth of key groups, which are complemented by different short, medium and long-term remuneration instruments.

In addition, several initiatives have been promoted in the field of training and development in recent months, such as the co-financing of training, self-management exchanges or training as flexible remuneration.

The Group invests in ensuring that the professionals who make up the organisation are rewarded in the most equitable and competitive manner possible, with a remuneration system based on merit, effort and value creation. This is reflected in the policies of salary review, promotion, variable remuneration and recognition. In addition, one of the measures implemented this year to optimise remuneration means that employees can decide when they join whether they want to monetise certain social benefits, such as meal tickets, health insurance or company vehicles.

Communication with and between employees is frequent, transparent and open to achieve a high level of commitment. This year, an internal corporate communication tool has been implemented. It facilitates teamwork both in person and at a distance and integrates all the necessary functions: Real-time chat, video-conference meetings and workspaces to improve productivity and communication with external collaborators and suppliers. It has allowed the successful implementation of remote work in 100% of the workforce in a record time during the state of alarm decreed by the Government.

In the Health and Safety area, the Group's Health and Safety Management model consists of a Joint Prevention Service that takes on the technical disciplines (safety at work, industrial hygiene and ergonomics and applied psycho-sociology) and has contracted Health Surveillance with an External Prevention Service. The model is based on a Management System signed and assumed by the Company's Senior Management, as a commitment to the health and safety of all the Group's employees and collaborators. The system has successfully passed the Regulatory Audit in January 2020.

In addition, in order to raise awareness of the importance of the health, safety and well-being of employees, the Group celebrates Health and Safety Week, with activities aimed at providing information on stroke prevention, healthy diet, sport and physiotherapy, quitting smoking, road safety, etc., which have since continued.

In relation to the coordination of Business Activities (CAE), the Group has a platform for the management of CAE with external collaborating companies, which allows to control that everyone who accesses the premises and facilities complies with the requirements on health and safety. The procedure has recently been revised, simplifying it and making it more operational, in compliance with the regulations in force.

The Group's action in the face of the COVID-19 pandemic, in the area of health and safety, should be highlighted. All measures available to the company have been taken and the initiatives and concerns expressed by employees have been taken into account. Among the most important, should be highlighted:

Before the State of Alarm:

- Continuous and updated information on action guidelines for the prevention of infection, on hand washing, etc. is ensured, both through the internal communication channel and through posters placed in shared areas.
- A Protocol for action against COVID-19 was drawn up, addressing possible situations of contagion, symptoms or contacts with suspects, restricting travel, meetings, events, etc.
- The cleaning service is reinforced, carrying out both general disinfection actions (shared areas, work stations, etc.) as a specific cleaning and disinfection of high contact areas (push buttons, door knobs, etc.)
- The centres are equipped with hydro-alcoholic products, both individually and for the shared areas.
- Temperature control prior to access to the work centre.
- Remote working is established in advance for all employees; first for vulnerable staff and geographical areas with high virus spread, and then for the rest of the employees, reaching 100% of the workforce.

During the State of Alarm (confinement)

- Telemedicine services are reinforced, as well as psychological support/care for employees.
- Protection and hygiene material is sent to the employees' homes (masks, hydro-alcoholic products, etc.).
- Ergonomic chairs and monitors are made available to employees for their homes, with the aim of improving remote working conditions.
- COVID-19 (PCR) testing is available at no cost to the employee.
- Continuous information and contact with employees is ensured, through internal communication, surveys (health, emotional state, limiting factors) and individualised contact (creation of specific mailbox, follow-up of cases).
- A Return Plan, COVID-19 Prevention Plan, COVID-19 Health Emergency Plan and COVID-19 Preventive Information Sheets are prepared. All this is made available to

employees through the internal portal, where a specific space has been created on COVID-19, within the Health and Safety section.
- A specific training course on COVID-19 (compulsory) is being developed, which includes the instructions to employees contained in the Group's Return Plan in this respect.

Gradual return plan to the new normality (mixed model)

- Incorporation into the workplace is staggered over several weeks, depending on risk factors and individual limitations (age, illness, child care at home, and use of public transport, among others).
- All employees are re-tested for COVID-19 before returning to the offices (PCR in advance, and quantitative serology once incorporated).
- A Medical Service is contracted, both to carry out the COVID-19 tests and to attend to any health emergency or consultation that may be necessary.
- A sanitary box is installed to deal with a sanitary emergency due to COVID-19.
- The work centres are equipped with safety measures against COVID-19, with hygiene and protection material both in shared areas and available to employees, reinforced cleaning and disinfection, body temperature control, signage both on the floor and through posters, etc.
- A work system is organised in 2 groups, for alternate weeks. On-site work is limited to 30% of the workforce and is done only in the morning, Monday through Thursday, the rest of the day being carried out remotely. The carrying out of events is restricted, and face-to-face meetings are limited.
- Parking is provided for all employees to avoid the use of public transport. In addition, a shuttle service is enabled with disinfection guarantees for those who do not have their own vehicle.
- The Cowin-19 App is launched for all employees with a physical presence in the office, in order to keep track of the people with whom they are in daily contact.

FORESEEABLE EVOLUTION

Despite the impact of COVID19, 2020 is a year for strengthening the Group's position in the Spanish market, both at operational and commercial levels, integrating the various businesses and capturing synergies under the umbrella of a single Group that operates with a multi-brand strategy.

The Group continues its investment effort, both in network deployment and in the acquisition of companies or business units that strategically complement the Group.

In the first half of 2020, the following relevant operations have been carried out at corporate level

- In June, the Group completed the acquisition of Lycamobile S.L.U. announced in March for an amount of €399 million. Lyca is a mobile virtual operator specialised in the prepaid segment that started operating in Spain in 2010 and had around 1.5 million lines at the end of December 2019. This acquisition strengthens the Group's position in Spain in the prepaid segment, following the acquisitions of Llamayá and Lebara in early 2017 and late 2018 respectively.

- In June 2020 the Group reached an agreement for the deployment of 2.2 million new FTTH Real Estate Units (UUII) between 2020 and 2023, of which the Group has committed to deploying 500,000 UUII, with an option to deploy a further 250,000. The new UUII will cover a new footprint as well as densification of the current footprint of both the Group and the other operator, and both parties have committed to exclusive wholesale bitstream use on the new deployed network for a period of 20 years.

- The Group and a leading international infrastructure fund (InfraFund) will jointly form a new infrastructure company ("NetCo") in which Másmovil will have a significant but minority stake. This NetCo will acquire up to 1,078 thousand UUII from the Group, of which approximately 245 thousand UUII are already deployed and the rest of the deployment is planned to take place until mid 2023, for a total price of approximately €400 million. The Group will participate in NetCo with a minority stake of approximately 60 million euros, providing NetCo with operation, maintenance and transmission services.

- In June 2020 the Group negotiated certain wholesale agreements for the use of mobile and FTTH networks. The mobile agreement envisages a reduction in the unit cost per GB consumed, an increase in the size of the 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 around 500,000 UUII, as well as access to future deployments.

For the second half of 2020, the Group plans to maintain its favourable evolution of recent years, supported by a high level of customer satisfaction (NPS), a consolidated organisation, an efficient mix of landline and mobile network assets and a multi-brand commercial strategy focused on increasing the satisfaction rate of our customers. As proof of this, the company has recently published a significant event (2 July) in which it reiterates its confidence in achieving the EBITDA and Capex Net targets previously communicated to the market (Guidance 2020-2021).

Considering the sector in which the Group operates, the management of the COVID-19 crisis and the financial forecasts made by Group management, no significant risks associated with the measurement of the assets and liabilities in the Group's statement of financial position were identified. The maintenance of the Group's profitability targets is based on the combination of (i) a foreseeable negative impact of Spain's macroeconomic performance in both 2020 and 2021, which means that the Adjusted EBITDA for 2020 will probably be at the lower end of the range, and (ii) the positive contribution of the operating agreements signed (see notes 4 and 5).

Taking into account the current and foreseeable macroeconomic situation in Spain, the Group has reiterated its Adjusted EBITDA targets of

€570-€600 million for 2020

€670-€700 million for 2021

RESEARCH AND DEVELOPMENT ACTIVITIES OF THE GROUP

Since its inception, the Group has made a strong commitment to R&D&I activities as a tool for technological training and as a way to differentiate itself from other players in the sector. The Group's R&D&I strategy is supported by programmes and tools that allow it to subsidise and finance these activities in order to increase the scope and chances of success of its initiatives in this area and benefit from the tax deductions linked to its R&D&I activity.

With regard to the line of calls for national public subsidies, in 2020 the Group submitted two new applications to the calls for proposals to promote the development of 5G technology pilot projects, which are implemented by Red.es, within the framework of the National 5G Plan and the National Intelligent Territories Plan, both of which are promoted by the Ministry of Economy and Business.

These pilot projects serve three objectives: to support the deployments of the first 5G networks, to experiment with the network management techniques that 5G technology allows and to develop use cases, with the involvement of all agents, including the users, which allow the three major improvements provided by 5G to be accredited: very high speed and capacity mobile broadband; ultra reliable, low latency communications; and mass machine-to-machine communications.

The Group has been proposed as a provisional beneficiary for both pilot projects, which it will carry out together with major national entities from both the business and research fields.

In addition, over the last six years the Group has devoted much effort to the deployment of its own fibre network, so that it can deploy high-speed and very high-speed broadband services to areas with no coverage or future plans for coverage.

These projects aim to improve the functionality and quality of digital services and thus increase the well-being and quality of life of both citizens and companies and, at the same time, offer the possibility of increasing the Group's own network infrastructure. In 2020 the Group has presented a major initiative for the development of telecommunications infrastructures and services aimed at providing new generation broadband Internet services in business parks in Aragon, which is still pending resolution.

As regards the tax deduction line, in 2020 the Group worked on the certification of R&D&I projects for the 2019 tax year.

Finally, the R&D&I projects in which we have worked in detail on the main lines of research and technologies undergoing experimentation and for which the Group is committed are as follows:

1. Technological tool for customer service for the integral management of fixed and mobile offers.
2. Centralized Platform for the Provision of Services and Integral Management of the Customer.
3. Centralized System for the Internal Management of the Group's Corporate Information.
4. Technological Architecture for the Optimization of the Commercial Operations of Grupo Másmóvil.
5. Innovative Financial and Business Data Management System.
6. Centralized Platform for the Provision of Sales Services and Customer Care Multi-brand.
7. Integral Management System for Indirect Access Products and Services.
8. Tool for the Centralized Management of the Business and Residential Segments
9. Cognitive prediction for business continuity (PRECOG2).
10. Optimization of OTT content distribution through decentralized networks and intelligent distribution and caching algorithms (OTTIMIZE).

ACQUISITION OF TREASURY SHARES

Making use of the delegation conferred by the General Shareholders' Meeting, the Company directly held 348,525 shares at 30 June 2020 for a total of €5,298 thousand (at 31 December 2019 a total of 83,175 shares for a total of €1,654 thousand).

The breakdown of the balances and movements in the treasury shares account during 2019 are as follows:

	Number of shares					
	% Capital	31/12/2019	Additions	Disposals	30/06/2020	%Capital
Intended for:						
Ordinary Tr.	0.06%	83,175	2,804,003	2,538,653	348,525	0.26%

	Thousand Euro			
	31/12/2019	Additions	Disposals	30/06/2020
Intended for:				
Ordinary Tr.	1,654	46,967	-43,323	5,298

On 3 April 2020, the Group carried out a programme to buy back its treasury shares, having suspended the liquidity agreement for the duration of the programme. Under this programme, 216,350 Company shares have been acquired, in accordance with the limits established. The programme was intended to cover commitments to certain executives relating to the share appreciation rights (SAR) plan, which will not take effect in the event that the takeover bid is executed.

USE OF FINANCIAL INSTRUMENTS

At 30 June 2020, the Group had not arranged any financial products that could be considered to be of risk and Group management is firmly convinced that it will not generally resort to arranging this type of instrument.

However, the Group uses derivative financial instruments to hedge the risks to which its future activities, transactions and cash flows are exposed.

In order to mitigate the volatility of the interest rate risk on this loan, and in accordance with the provisions of the contract on minimum required hedging limits, the Company has arranged a series of financial hedging instruments. At 30 June 2020, the Group had contracted interest rate cash flow hedging instruments with the borrowing financial institutions, which cover 50% of the nominal amount of the debt drawn down.

Financial risk factors

General

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

- Credit risk,
- Liquidity risk,
- Market risk,

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 established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to 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 program focuses on minimising the uncertainty of financial markets and the potential adverse effects on the Group's financial yields. Some group subsidiaries use derivatives to hedge against certain risks.

a) Credit risk

Credit risk is defined as the risk of financial loss to which the Group is exposed if a customer or counterparty fails to comply with their contractual obligations relating to a financial instrument, and mainly stems from trade receivables and the Group’s investment instruments.

The Group does not have significant concentrations of credit risk and maintains policies to ensure that sales are made to customers with an adequate credit history.

Where the Group provides financing from its own resources for the acquisition of terminals, the accounts receivable from customers are reflected under "Trade and other receivables".

The Group has policies to limit the amount of risk assumed with respect to customers and any financial institution, and the exposure to the risk of recovering loans is managed as part of the ordinary course of business. The Group has policies to ensure that sales of products on a wholesale basis are made to customers with an adequate credit record.

The Group has formal procedures to detect the impairment of trade receivables. Through these procedures, the Group estimates, based on current default experience over the last 12 months, the default rates for commercial loans, recording the expected credit loss at the beginning of the loan. The main components of this impairment are related to individually significant exposures and a component of the collective loss is established for groups of similar assets relating to losses that have been incurred but have not yet been identified.

Trade receivables are initially measured at fair value, which is the same as the nominal value of the receivable, less any expected loss over the expected life of the receivable.

There is no significant unprovisioned delinquent debt, and it should be noted that customer balances from business combinations have been integrated at market value and, therefore, net of their allowance for loan losses.

With respect to COVID-19, the Group considers that it did not have a significant impact on credit risk and financial assets at 30 June 2020.

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering 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, both in normal and difficult conditions, to avoid incurring unacceptable losses or risking its reputation.

The Group applies 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 Finance Department aims to maintain flexibility in financing through the availability of contracted credit facilities.

At 30 June 2020, the Group's available cash amounted to €247,514 thousand (€63,037 thousand at 31 December 2019). The net cash generated by operating activities during the six-month period ended 30 June 2020 was positive amounting to €207,214 thousand (positive €166,347 thousand in 30 June 2019).

With regard to the impact of COVID-19, it is foreseeable that the general situation of the markets could lead to a general increase in liquidity tensions in the economy, as well as a contraction in the credit market. In this sense, the Group has financing facilities available as at 30 June for €155,000 thousand to improve and efficiently manage liquidity, which will enable it to face up to these tensions in the current scenario.

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 objective of managing market risk is to manage and control exposure to this risk within reasonable parameters at the same time as optimising returns.

d) Interest rate risk

The Group's interest rate risk arises mainly from loans from financial institutions. These loans are issued at floating rates and expose the Group to interest rate risk on future cash flows.

An increase in reference rates, in this case Euribor, could raise the cost of financing for the Group and thus divert resources from the Group's activities to 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 arranged hedging instruments to convert part of the debt at a fixed interest rate and reduce interest rate risk in future cash flows.

At 30 June 2020 the Group had contracted interest rate hedging instruments covering 50% of the amount drawn down of the loan mentioned in note 14 a).

ALTERNATIVE PERFORMANCE MEASURES (APM)

To comply with European Securities Market Authority (ESMA) guidelines on Alternative Performance Measures (hereinafter "APMs"), the Group presents additional information to improve the comparability, reliability and comprehensibility of its financial statements. Although the Group's results are presented in accordance with generally accepted accounting principles (EU-IFRS)- the directors consider that certain APMs provide useful additional financial information that should be considered when evaluating the Group's performance. The directors and management also use these APMs to make financial, operating and planning decisions and to evaluate the Group's performance. The Group provides APMs which it considers to be appropriate and useful for decision-making.

- EBITDA: Earnings before interest, taxes, depreciation and amortization

- Reported EBITDA: The Reported EBITDA is calculated as EBITDA further adjusted for financial income, share revaluation rights plan, lease interest, other financial expenses, change in fair value of financial instruments, exchange rate differences, Income from impairment and losses of financial instruments andr esults from equity-consolidated investments. The purpose of the reported EBITDA is to present management's view of what the Group is gaining or losing in its business. EBITDA as reported excludes non-cash variables which may vary significantly depending on the accounting policies applied. Amortization is a non-monetary variable and therefore of limited interest to investors.

- Adjusted EBITDA: Is the reported EBITDA less integration and migration expenses, and impairment and gains or losses on disposal of fixed assets.

- Any ratio from the APM's mentioned previously can be considered an alternative performance measure.

SUPPLIER DEFERRALS

The average payment period for the Group's suppliers during the six-month period was 45.13 days.

SIGNIFICANT POST-CLOSING EVENTS

The General Shareholders' Meeting held on 8 July 2020 approved a medium and long-term remuneration scheme, on an extraordinary and nonconsolidable basis, for certain employees and members of the Company's management team, including the Managing Director. The remuneration scheme to be implemented will consist of an extraordinary variable remuneration in cash based on the increase in value of the Company's shares during a certain period of time, taking as a reference their share price. Under this scheme, the Company will grant each beneficiary, including the Managing Director, a certain number of rights to be received, after a certain period of time, and provided that certain conditions have been met, a cash amount linked to the increase in value of the share. The Plan will start on 1 September 2020 and will have a maximum duration of three years and six months.

On 14 July 2020, the subsidiary Xfera Móviles S.A.U. acquired from GAEA Inversión SCR, S.A. 20.011% of its ownership interest in Senior Telecomunicaciones y Servicios Avanzados S.L. for €667 thousand, thereby eliminating the call and put options on these investments.

Preparation of the Condensed Consolidated Interim Financial Statements and Consolidated Interim Management Report for the six-month period ended 30 June 2020

In compliance with current legislation, the Directors of MÁSMÓVIL IBERCOM, S.A., on 27 July 2020, have prepared the attached Condensed Consolidated Interim Financial Statements in accordance with International Accounting Standard (IAS) 34, as adopted by the European Union, comprising the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity and the Condensed Consolidated Statement of Cash Flows for the six-month period ended 30 June 2020, and the Condensed Consolidated Explanatory Notes, together with the accompanying Condensed Consolidated Interim Management Report. The interim Condensed consolidated financial statements as of 30 June 2020 consist of the documents attached hereto.

Signatories

Chairman Mr Eduardo Díez-Hochleitner Rodríguez	Managing Director Mr Meinrad Spenger
Mr. Borja Fernández Espejel	Ms Cristina Aldámiz-Echevarría González de Durana
Mr Felipe Fernández Atela	Mr John C. Hahn
Mr. Josep María Echarri Torres	Key Wolf, S.L. Represented by Mr. José Eulalio Poza
Ms. Nathalie Picquot	Ms Pilar Zulueta de Oya
Mr. Rafael Canales Abaitua	Mr. Rafael Domínguez de la Maza