THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take you are recommended to seek your own financial advice immediately from an independent financial adviser who specialises in advising on shares or other securities and who is authorised under the Financial Services and Markets Act 2000.

This document comprises a prospectus (the "**Prospectus**") for the purposes of Article 3 of the UK version of Regulation (EU) 2017/1129, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 (the "**Prospectus Regulation**"), relating to Zegona Communications plc (the "**Company**" or "**Zegona**", and including its subsidiaries, the "**Zegona Group**") prepared in accordance with the Prospectus Regulation Rules (the "**Prospectus Regulation Rules**") of the Financial Conduct Authority (the "**FCA**") made under section 73A of the Financial Services and Markets Act 2000, as amended ("**FSMA**"). A copy of this Prospectus has been filed with, and approved on 13 November 2023 by, the FCA as competent authority under the Prospectus Regulation, and has been made available to the public in accordance with the Prospectus Regulation Rules. This document does not constitute a prospectus for the purposes of any offer of shares in any EEA member state and has not been approved by a competent authority in any EEA member state for the purposes of Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**").

The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is, or the quality of the securities that are, the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The Company and each of the Directors, whose names appear in paragraph 1.1 of Part XII (*Directors, Corporate Governance and Employees*) of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

Prospective investors should read this Prospectus in its entirety. In particular, your attention is drawn to the risk factors set out in Part II (*Risk Factors*) of this Prospectus for a discussion of the risks that might affect the value of your shareholding in the Company. Investment in the Zegona Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.

Zegona Communications plc

(Incorporated and registered in England and Wales with number 09395163)

Proposed Acquisition of Vodafone Holdings Europe S.L.U. ("**Vodafone Spain**")

Admission of New Zegona Shares and re-admission of Zegona Shares to the standard listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities

Global Co-ordinator and Joint Bookrunner

Deutsche Numis

Joint Bookrunners

Canaccord Genuity Limited **ING Bank N.V.** **UniCredit Bank AG, Milan Branch**

The Existing Zegona Shares are listed on the standard listing segment of the Official List and traded on the main market for listed securities (the "**Main Market**"). Applications will be made to the FCA for admission of the New Zegona Shares to the standard listing segment of the Official List and to the London Stock Exchange for admission of the New Zegona Shares to trading on the Main Market ("**Admission**"). It is expected that Admission will become effective, and that dealings in the New Zegona Shares will commence, at 8.00 a.m. on 17 November 2023.

As the Acquisition is classified as a reverse takeover under the Listing Rules, upon completion of the Acquisition ("**Completion**") the admission of all the Zegona Shares in issue immediately prior to Completion to the standard listing segment of the Official List and to trading on the Main Market will be cancelled and applications will be made to the FCA and the London Stock Exchange, respectively, for re-admission of those Zegona Shares, including the New Zegona Shares, to the standard listing segment of the Official List and to trading on the Main Market ("**Re-Admission**"). It is expected that Re-Admission will become effective, and that dealings in the Zegona Shares will commence, at 8.00 a.m. on the day of Completion (whereupon an announcement will be made by the Company to a Regulatory Information Service).

A standard listing affords investors in the Company a lower level of regulatory protection than that afforded to investors in companies whose securities are admitted to the premium segment of the Official List, which are subject to additional obligations under the Listing Rules. As the Company is admitted to the standard listing segment of the Official List, it is not eligible for inclusion in FTSE indices.

The New Zegona Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The New Zegona Shares will be offered (i) in the United States only to qualified institutional buyers ("**QIBs**") as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**"), that are also qualified purchasers ("**QPs**") as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "**U.S. Investment Company**

Act"), who have each executed and delivered to the Joint Bookrunners a U.S. Investor Letter, in transactions that are exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and (ii) to non-U.S. Persons (as defined in Regulation S under the U.S. Securities Act) in "offshore transactions" to non-U.S. Persons as defined in, and in reliance on, Regulation S. There has not been and will be no public offer of the New Zegona Shares in the United States. The New Zegona Shares will be subject to limitations on transfer as described in Part XIX (*The Offer*). Moreover, the Company has not been and will not be registered under the U.S. Investment Company Act and investors will not be entitled to the benefits of the U.S. Investment Company Act. No offer, purchase, sale or transfer of the New Zegona Shares may be made except under circumstances which will not result in the Company being required to register as an investment company under the U.S. Investment Company Act. Prospective investors are hereby notified that sellers of the New Zegona Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act.

Unless otherwise expressly agreed with the Company, each initial subscriber and/or purchaser and subsequent transferee of New Zegona Shares will be required to represent and warrant or will be deemed to represent and warrant that it is not a "benefit plan investor" (as defined in Section 3(42) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")), and that it is not, and is not using assets of, a plan or other arrangement subject to provisions under applicable federal, state, local, non-U.S. or other laws or regulations that are substantially similar to Section 406 of ERISA or Section 4975 of the U.S. Tax Code unless its purchase, holding and disposition of New Zegona Shares does not constitute or result in a non-exempt violation of any such substantially similar law.

Prospective investors should be aware that the Company was likely treated as a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes for the taxable year 2022 and expects to be a PFIC for the taxable year ending 31 December 2023 and subsequent taxable years unless the completion of the Acquisition occurs. The Company does not expect to be a PFIC after completion of the Acquisition based on the expected income and assets of the Zegona Group, as at and from Completion, as enlarged by Vodafone Spain (the "**Enlarged Group**"). If the Company were a PFIC for any taxable year during which a prospective investor that is a U.S. person owns Zegona Shares, such prospective investor may be subject to adverse consequences unless certain elections are made. For further details, see "Certain U.S. Federal Income Tax Considerations" in Part XVIII (*Taxation*).

No actions have been taken to allow a public offering of the New Zegona Shares under the applicable securities laws of any jurisdiction, including Australia, Canada, Japan or South Africa. Subject to certain exceptions, the New Zegona Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen of any jurisdiction, including Australia, Canada, Japan and South Africa. This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase, any of the New Zegona Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The New Zegona Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "**SEC**"), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offer of New Zegona Shares referred to in this Prospectus or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

'Deutsche Numis' is a trading name used by certain investment banking businesses of Deutsche Bank AG ("**Deutsche Bank**"), Numis Securities Limited and Numis Europe Limited in the United Kingdom and Ireland, Numis Securities Limited and Numis Europe Limited are members of the group of companies controlled by Deutsche Bank AG. Deutsche Bank AG is a stock corporation (Aktiengesellschaft) incorporated under the laws of the Federal Republic of Germany, with its principal office in Frankfurt. It is registered with the district court (Amtsgericht) in Frankfurt am Main under No HRB 30 000 and licensed to carry on banking business and to provide financial services. The London branch of Deutsche Bank AG is registered in the register of companies for England and Wales (registration number BR000005) with its registered address and principal place of business at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Deutsche Bank AG subject to supervision by the European Central Bank (ECB), Sonnemannstrasse 22, 60314, Frankfurt am Main, Germany, and the German Federal Financial Supervisory Authority Bundesanstalt für Finanzdienstleistungsaufsicht or BaFin), Graurheindorfer Strasse 108, 53117 Bonn and Marie-Curie-Strasse 24-28, 60439 Frankfurt am Main, Germany. With respect to activities undertaken in the United Kingdom, Deutsche Bank AG is authorised by the Prudential Regulatory Authority (the "**PRA**"). It is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of Deutsche Bank AG's authorisation and regulation by the PRA are available from Deutsche Bank AG on request. Numis Securities Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Numis Europe Limited trading as Numis is regulated by the Central Bank of Ireland. Canaccord Genuity Limited ("**Canaccord**") is authorised and regulated by the FCA in the United Kingdom. ING Bank N.V. ("**ING**") is supervised by the European Central Bank (ECB). The Dutch Central Bank (De Nederlandsche Bank) and the Netherlands Authority for the Financial Markets (AFM). UniCredit Bank AG is a universal bank with its registered office and principal place of business in Arabellastrasse 12, Munich, Germany. It is entered under HRB 42148 in the B section of the Commercial Register Maintained by Munich Local Court. UniCredit Bank AG is an affiliate of UniCredit S.p.A., Milan, Italy (ultimate parent company). UniCredit Bank AG is subject to regulation by the European Central Bank and Federal Financial Supervisory Authority (BaFin). UniCredit Bank AG, Milan Branch ("**UniCredit**") is regulated by Banca d'Italia, the Commissione Nazionale per le Società la Borsa (CONSOB) and the Federal Financial Supervisory Authority (BaFin). Details about the extent of UniCredit Bank AG's regulation are available on request.

Deutsche Bank AG, acting through its London branch (which is trading for these purposes as Deutsche Numis)

("**Deutsche Numis**" or the "**Global Co-ordinator**") has been appointed as global co-ordinator and joint bookrunner. Canaccord, ING and UniCredit have been appointed as joint bookrunners (together with the Global Co-ordinator (the "**Joint Bookrunners**"). Each Joint Bookrunner is acting exclusively for the Company and no one else in connection with the institutional placing of New Zegona Shares (the "**Placing**") and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Placing, Admission or Re-Admission and is not, and will not be, responsible to anyone other than the Company for providing the protections afforded to its clients or for giving advice in relation to the Placing, Admission, Re-Admission or any transaction, matter or arrangement referred to in this Prospectus. None of the Joint Bookrunners is acting for the Company with respect to the PrimaryBid Offer.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Joint Bookrunners by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither the Joint Bookrunners nor any of its affiliates, directors, officers, employees or advisers accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to, the contents of this Prospectus, including its accuracy, completeness, verification sufficiency or for any other statement made or purported to be made by it, or on behalf of it, the Company, the directors or any other person, in connection with the Company, the New Zegona Shares, the offer of New Zegona Shares referred to in this Prospectus, Admission or Re-Admission, and nothing in this Prospectus should be relied upon as a promise or representation in this respect, whether or not to the past or future. Each Joint Bookrunner and its affiliates, directors, officers, employees and advisers accordingly disclaims to the fullest extent permitted by law any responsibility or liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

Available information for investors in the United States

For so long as any of the New Zegona Shares are in issue and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Company will, during any period in which it is not subject to section 13 or 15(d) under the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), nor exempt from reporting under the U.S. Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of a New Zegona Share, or to any prospective purchaser of a New Zegona Share designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act.

Notice to Canadian investors

This document constitutes an "exempt offering document" as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the New Zegona Shares. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or on the merits of the New Zegona Shares and any representation to the contrary is an offence.

The New Zegona Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions ("**NI 45-106**") or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("**NI 31-103**") and that are not created or used solely to purchase or hold securities as an accredited investor described in paragraph (m) of the definition of "accredited investor".

Canadian investors are advised that this document has been prepared in reliance on section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"). Pursuant to section 3A.3 of NI 33-105, this document is exempt from the requirement that the issuer and the underwriters in the offering provide Canadian investors with certain conflicts of interest disclosure pertaining to "connected issuer" and/or "related issuer" relationships as would otherwise be required pursuant to subsection 2.1(1) of NI 33-105.

Securities legislation in certain provinces or territories of Canada may provide Canadian investors with remedies for rescission or damages if an "offering memorandum" such as this document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Zegona Shares described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement*.

No incorporation of website information

The contents of the Company's and the Vodafone Group plc's ("**Vodafone Group**") websites, including any hyperlinks to or from such websites, do not form part of this Prospectus, unless specifically incorporated by reference.

Copies of this Prospectus are available, subject to certain access restrictions, on the "Investors" section of the Company's website at www.zegona.com and are also available for collection free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of the Company, 8 Sackville Street, London, W1S 3DG from the date of this Prospectus, and shall remain available for a period of one month from Admission.

Notice to Distributors - UK Product Governance

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK Product Governance Requirements**") and/or any equivalent requirements elsewhere to the extent determined to be applicable, and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements and/or any equivalent requirements elsewhere to the extent determined to be applicable) may otherwise have with respect thereto, the New Zegona Shares have been subject to a product approval process, which has determined that the New Zegona Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each defined in Chapter 3 of the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the "**UK Target Market Assessment**"). Notwithstanding the UK Target Market Assessment, distributors should note that: the price of the New Zegona Shares may decline and investors could lose all or part of their investment; the New Zegona Shares offer no guaranteed income and no capital protection; and an investment in the New Zegona Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The UK Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the UK Target Market Assessment, the Joint Bookrunners have only procured investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the UK Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Zegona Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the New Zegona Shares and determining appropriate distribution channels.

Notice to Distributors - EU Product Governance

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**") and/or any equivalent requirements elsewhere to the extent determined to be applicable, and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements and/or any equivalent requirements elsewhere to the extent determined to be applicable) may otherwise have with respect thereto, the New Zegona Shares have been subject to a product approval process, which has determined that the New Zegona Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**EU Target Market Assessment**"). Notwithstanding the EU Target Market Assessment, Distributors should note that: the price of the New Zegona Shares may decline and investors could lose all or part of their investment; the New Zegona Shares offer no guaranteed income and no capital protection; and an investment in the New Zegona Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The EU Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the EU Target Market Assessment, the Joint Bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the EU Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Zegona Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the New Zegona Shares and determining appropriate distribution channels.

Date

This Prospectus is dated 13 November 2023.

This Prospectus speaks only as of the date hereof.

CONTENTS

PART I. SUMMARY

Section A – Introduction and warnings

A.1 - Introduction

The name of the Company is Zegona Communications plc (the "**Company**" or "**Zegona**", and including its subsidiaries, the "**Zegona Group**") and the ISIN of the existing Zegona ordinary shares (the "**Existing Zegona Shares**") is GB00BVGBY890. The Company's registered office is 8 Sackville Street, London, England, United Kingdom, W1S 3DG (tel: +44 20 3004 2017).

The Financial Conduct Authority of 12 Endeavour Square, London E20 1JN approved this Prospectus on 13 November 2023.

A.2 - Warnings

This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on consideration of this Prospectus as a whole by the investor.

The price of the Zegona Shares may fluctuate in response to a number of factors, many of which may be out of the Company's control, and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Zegona Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.

Section B – Key information on the issuer

Section B(1) – Who is the issuer of the securities?

B.1.1 Legal and commercial name and LEI

The name of the Company is Zegona Communications plc. The Company's Legal Entity Identifier ("**LEI**") is 213800ASI1VZL2ED4S65.

B.1.2 Domicile, legal form, legislation and country of incorporation

The Company is incorporated in England and Wales under the Companies Act 2006 (the "**Companies Act**") with registration number 09395163 and domiciled in the United Kingdom and operates under English law. It is subject to the City Code.

B.1.3 Principal activities

The Company was established in 2015 with the objective of investing in businesses in the European technology, media, and telecom ("**TMT**") sector and improving their performance to deliver attractive shareholder returns. Pursuant to an acquisition agreement dated 31 October 2023, the Company through one of its newly incorporated subsidiaries has conditionally agreed to acquire Vodafone Spain (the "**Acquisition**").

The business of Vodafone Spain, previously known as Airtel Móvil, began operating in 1995 and is a well-diversified telecommunications operator across fixed-line, mobile, TV and digital market segments in Spain. Following completion of the Acquisition ("**Completion**"), the Enlarged Group will continue to operate the same business.

B.1.4 Major shareholders

The Company is only aware of the following persons who, immediately following Admission and Re-Admission, will represent an interest (within the meaning of DTR Chapter 5) directly or indirectly, jointly or severally in 3 per cent. or more of the Company's share capital or could exercise control over the Company:

	Interests as at 10 November 2023		Interests immediately following Admission and Re-Admission(1)	
Shareholder	**Number of Existing Zegona Shares**	**Percentage of issued share capital**	**Number of Zegona Shares**	**Percentage of issued share capital**
Zegona board and management(2)	1,694,401	27.45%	1,734,400	0.24%
Marwyn Investment Management LLP	774,321	12.54%	6,004,321	0.85%
Artemis Investment Management	586,691	9.51%	586,691	0.08%
Fidelity Management & Research	403,107	6.53%	24,563,907	3.47%
Fidelity Investments Limited	392,349	6.36%	392,349	0.06%
Aberforth Partners LLP	243,744	3.95%	10,909,744	1.54%
Credit Suisse	234,469	3.80%	234,469	0.03%
Winterflood Securities	205,014	3.32%	205,014	0.03%
Petrus Advisers	200,661	3.25%	200,661	0.03%
EJLSHM Funding Limited(3)	-	-	523,240,603	73.85%
Thornburg Investment Management	-	-	32,576,000	4.60%
Alken Asset Management	-	-	29,068,000	4.10%
Total	**4,734,757**	**76.71%**	**629,716,159**	**88.88%**

Note

(1) Assuming the maximum number of New Zegona Shares are subscribed for in the PrimaryBid Offer (and none of the above persons participates in the PrimaryBid Offer (other than Richard Williams or Ashley Martin, and assuming they receive their full allocation in the PrimaryBid Offer) or acquires or disposes of any Zegona Shares prior to Re-Admission) and the Company does not issue, or undertake any buybacks of, Zegona Shares prior to Re-Admission.

(2) Richard Williams has confirmed his intention to subscribe for approximately £40,000 of New Zegona Shares in the PrimaryBid Offer and Ashley Martin has confirmed his intention to subscribe for approximately £20,000 of New Zegona Shares in the PrimaryBid Offer.

(3) EJLSHM Funding Limited has irrevocably undertaken to Zegona and the Preference Shareholder not to vote the Zegona Shares it holds (other than in connection with a takeover where the consideration is cash).

B.1.5 Key managing directors

The Company's Board is composed of Eamonn O'Hare (Chairman and Chief Executive Officer), Robert Samuelson (Chief Operating Officer), Ashley Martin (Independent Non-Executive Director), Richard Williams (Independent Non-Executive Director) and Suzi Williams (Independent Non-Executive Director). Zegona intends to propose the appointment of José Miguel García as CEO of Vodafone Spain following Completion (which is subject to contract and any discussions on terms).

B.1.6 Statutory auditors

The statutory auditors of the Company are KPMG LLP of 15 Canada Square, London E14 5GL.

Section B(2) – What is the key financial information regarding the issuer?

The tables below set out the key summary financial information regarding the issuer and Vodafone Spain.

Zegona

The table below sets out the summary financial information of Zegona for the three financial years ended 31 December 2020, 2021 and 2022 and the six-month periods ended 30 June 2022 and 2023. The information has been prepared in accordance with UK adopted international accounting standards ("**IFRS**").

Summary Consolidated Statement of Comprehensive Income

	Six months ended		Year ended		
	30 June 2023	30 June 2022	31 December 2022	31 December 2021	31 December 2020
			€'000		
	(unaudited)				
Continuing Operations					
Administrative and other operating expenses:					
Corporate costs	(1,691)	(1,834)	(3,271)	(4,643)	(5,631)
Management Incentive Scheme costs	(35)	(34)	(34)	(29,072)	(914)
Significant project costs	(55)	(26)	(26)	(295)	(292)
Operating loss	**(1,781)**	**(1,894)**	**(3,331)**	**(34,010)**	**(6,837)**
Finance income	12	-	25	158	29
Finance costs	(3)	-	(4)	(376)	(310)
Net foreign exchange (loss) / gain	(2)	-	(3)	(30)	1,273
(Loss) for the period before income tax	**(1,774)**	**(1,894)**	**(3,313)**	**(34,258)**	**(5,845)**
Income tax expense	-	-	-	-	-
(Loss) for the period	**(1,774)**	**(1,894)**	**(3,313)**	**(34,258)**	**(5,845)**
Discontinued Operations					
Profit for the period from discontinued operation, net of tax	-	-	-	**114,171**	**19,811**
(Loss)/Profit for the period attributable to equity holders of the parent	**(1,774)**	**(1,894)**	**(3,313)**	**79,913**	**13,966**

Summary Consolidated Statement of Financial Position

	As at	As at		
	30 June 2023	31 December 2022	31 December 2021	31 December 2020
		€'000		
	(unaudited)			
Total non-current assets	**5,128**	**4,974**	**5,264**	**322,749**
Total current assets	**4,356**	**5,965**	**10,753**	**22,952**
Total assets	**9,484**	**10,939**	**16,017**	**345,701**
Total equity attributable to equity holders of the Parent	**9,157**	**10,537**	**14,454**	**332,451**
Total liabilities	**327**	**402**	**1,563**	**13,250**
Total equity and liabilities	**9,484**	**10,939**	**16,017**	**345,701**

Summary Consolidated Statement of Cash Flows

	Six months ended		Year ended		
	30 June 2023	30 June 2022	31 December 2022	31 December 2021	31 December 2020
			€'000		
	(unaudited)				
(Loss) before income tax from continuing operations	**(1,774)**	**(1,894)**	**(3,313)**	**(34,258)**	**(5,845)**
Net cash flows used in operating activities	**(1,780)**	**(2,613)**	**(3,916)**	**(39,142)**	**(7,059)**
Net cash flows used in investing activities	-	-	-	**(34)**	**(13)**
Net cash flows from discontinued investing activities	-	-	-	**439,547**	**10,152**
Net cash flows (used in) financing activities	-	**412**	**(106)**	**(408,770)**	**(14,947)**
Cash and cash equivalents at 1 January	5,890	10,556	10,556	15,244	27,035
Cash and cash equivalents at the end of the year/period	**4,307**	**8,169**	**5,890**	**10,556**	**15,244**

Vodafone Spain

The table below sets out the summary financial information of Vodafone Spain for the three financial years ended 31 March 2021, 2022 and 2023 and the three-month periods ended 30 June 2022 and 2023.

Summary Consolidated Statement of Comprehensive Loss

	Three months ended		Year ended		
	30 June 2023	30 June 2022	31 March 2023	31 March 2022	31 March 2021
			€'000		
	(unaudited)				
Revenue	**964,782**	**987,527**	**3,906,713**	**4,180,058**	**4,166,421**
Supplies	(260,102)	(287,331)	(1,079,518)	(1,101,587)	(1,088,421)
Corporate costs	(71,130)	(69,192)	(257,968)	(347,194)	(282,319)
Other expenses	(293,276)	(259,971)	(996,310)	(1,132,738)	(1,075,098)
Net credit losses on financial assets	(24,303)	(31,200)	(34,862)	(115,484)	(125,855)
Depreciation, amortisation and impairment losses	(410,789)	(416,782)	(1,632,634)	(1,707,815)	(1,655,230)
Operating loss	**(94,818)**	**(76,949)**	**(94,579)**	**(224,760)**	**(60,502)**
Finance income	14	26	15,685	13,053	-
Finance costs	(48,599)	(19,774)	(119,377)	(67,808)	(78,182)
Loss for the period before income tax	**(143,403)**	**(96,697)**	**(198,271)**	**(279,515)**	**(138,684)**
Income tax credit	-	-	169	30,989	17,161
Loss for the period attributable to equity holders of the parent	**(143,403)**	**(96,697)**	**(198,102)**	**(248,526)**	**(121,523)**

Summary Consolidated Statement of Financial Position

	As at	As at		
	30 June 2023	31 March 2023	31 March 2022	31 March 2021
		€'000		
	(unaudited)			
Total non-current assets	**5,926,813**	**6,011,463**	**6,440,816**	**6,452,481**
Total current assets	**818,096**	**1,081,647**	**1,026,280**	**1,118,627**
Total assets	**6,744,909**	**7,093,110**	**7,467,096**	**7,571,108**
Total equity attributable to equity holders of the parent	**692,654**	**835,779**	**1,036,283**	**1,287,849**
Total non-current liabilities	**4,453,388**	**4,465,867**	**4,476,871**	**4,268,560**
Total current liabilities	**1,598,867**	**1,791,464**	**1,953,943**	**2,014,699**
Total equity and liabilities	**6,744,909**	**7,093,110**	**7,467,096**	**7,571,108**

Summary Consolidated Statement of Cash Flows

	Three months ended		Year ended		
	30 June 2023	30 June 2022	31 March 2023	31 March 2022	31 March 2021
			€'000		
	(unaudited)				
Cash inflows from operating activities	**56,924**	**101,285**	**1,359,284**	**1,386,530**	**1,550,056**
Cash inflows/(outflows) from investing activities	**56,879**	**(72,877)**	**(1,017,361)**	**(1,212,485)**	**(1,056,736)**
Cash outflows from financing activities	**(113,151)**	**(30,958)**	**(342,086)**	**(176,022)**	**(493,173)**
Net cash inflow/(outflow)	**652**	**(2,550)**	**(163)**	**(1,977)**	**147**
Cash and cash equivalents at beginning of the financial year/period	4,479	4,642	**4,642**	**6,619**	**6,472**
Cash and cash equivalents at the end of the financial year/period	**5,131**	**2,092**	**4,479**	**4,642**	**6,619**

B.2.2 Selected key pro forma financial information

The unaudited summary pro forma statement of net assets (the "**Pro Forma Statement of Net Assets**") set out below has been prepared to illustrate the effect of the Acquisition on the net assets of Zegona as at 30 June 2023 as if the Acquisition had taken place on 30 June 2023. The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position.

The unaudited pro forma financial information does not purport to represent what Zegona's or the Enlarged Group's financial position would have been if the Acquisition had actually taken place on the date indicated nor does it purport to represent Zegona's or the Enlarged Group's financial position at any future date.

Summary Pro Forma Statement of Net Assets

€'000	Zegona as at 30 June 2023(1)	Vodafone as at 30 June 2023(2)	Net proceeds of the Offer(3)	Debt financing Adjustments(4)	Acquisition Adjustments(5)	Unaudited Pro Forma of the Enlarged Group(6)
Total non-current assets	**5,128**	**5,926,813**	-	-	**1,192,489**	**7,124,430**
Total current assets	**4,356**	**818,096**	**1,187,822**	**3,826,000**	**(5,086,564)**	**749,710**
Total assets	**9,484**	**6,744,909**	**1,187,822**	**3,826,000**	**(3,894,075)**	**7,874,140**
Total current liabilities	**327**	**1,598,867**	**-**	-	**13,386**	**1,612,580**
Total non-current liabilities	-	**4,453,388**	**900,000**	**3,826,000**	**(3,201,421)**	**5,977,967**
Total net assets	**9,157**	**692,654**	**287,822**	**-**	**(706,040)**	**283,593**

Notes

(1) The net assets of Zegona as at 30 June 2023 have been extracted, without material adjustment, from the Zegona unaudited interim financial statements for the six months ended 30 June 2023 incorporated by reference into this Prospectus.
(2) The net assets of Vodafone Spain as at 30 June 2023 have been extracted, without material adjustment from the Historical Financial Information of Vodafone Spain as at 30 June 2023, as set out in Part B of Part XIII (*Historical Financial Information*) of this Prospectus.
(3) The Company has raised £ 262 million (€300 million at the Exchange Rate on 9 November 2023) in gross proceeds through the issue of New Zegona Shares pursuant to the Placing at a price per New Zegona Share of 150 pence, which is subject to commissions and other estimated fees and expenses of £11 million (€13 million at the Exchange Rate on 9 November 2023), resulting in total net proceeds for the Company from the Placing of £251 million (€288 million at the Exchange Rate on 9 November 2023). The net proceeds will be used to partially fund the Acquisition, fees and expenses incurred in connection with the Transaction and for general corporate purposes.

EJLSHM Funding Limited has agreed, pursuant to the Conditional Subscription and Relationship Agreement, to subscribe for €900 million of New Zegona Shares at the Offer Price in the Conditional Subscription which forms part of the Offer. Assuming the Placing completes, the amount of the gross proceeds of the Conditional Subscription will be €900 million. Zegona expects to recognise the gross proceeds of the Conditional Subscription as a financial liability in the Enlarged Group financial statements.
The Company also intends to raise gross proceeds of up to €8 million through a separate offering of New Zegona Shares at the Offer Price via the PrimaryBid Offer. The proceeds of the PrimaryBid Offer have not been reflected in the pro forma financial information.
(4) This adjustment relates to the drawdown of an aggregate of €3.9 billion from two facilities, being €3.4 billion from the Corporate Bridge Facility and €500 million from the Term Loan A Facility. The increase in Borrowings represents the drawdown of €3.8 billion net of arrangement fees of €74 million. The arrangement fees have been included as a deduction from Borrowings and will be amortised over the life of the facilities..
(5) The acquisition adjustments reflect the following: the Unaudited Pro Forma Financial Information has been prepared on the basis that the Acquisition of Vodafone Spain by Zegona will be treated as a business combination in accordance with IFRS 3 Business Combinations. Zegona expects to undertake a fair value exercise following Completion and no account has been taken of any fair value adjustments to the acquired assets and liabilities of Vodafone Spain in the Unaudited Pro Forma Financial Information or any fair value adjustment to the amount raised in the Conditional Subscription. For the purposes of the Unaudited Pro Forma Financial Information the excess of the purchase consideration over the carrying amount of net assets acquired has been attributed to goodwill. The calculation of the total consideration and adjustment to goodwill is set out below.

	€'000	***€'000***
Purchase price	5,000,000	
Vodafone Spain cash balance	5,131	
Settlement of borrowings owed to related parties	(3,201,421)	
Settlement of receivables from related parties	81,433	
Adjustment for net working capital[A]	-	
Total consideration		1,885,143
Less carrying value of net assets acquired as at 30 June 2023		
Vodafone Spain net assets	692,564	
Pro forma net assets acquired		
Goodwill on acquisition		1,192,489

Footnotes:
[A] An adjustment for net working capital at the completion date compared to the target net working capital in the Acquisition Agreement will only be quantified when completion accounts have been prepared. For the purposes of the pro forma statement of net assets it has been assumed that the actual net working capital at Completion is the same as the target working capital.
Other transaction costs and expenses related to the Acquisition are estimated to be €14 million (not including arrangement fees relating to the debt financing – see Note 4 above).
(6) In preparing the unaudited pro forma statement of net assets of the Enlarged Group, no account has been taken of the trading activity or other transactions of Zegona or Vodafone Spain since 30 June 2023.

B.2.3 Qualifications in the audit report

Not applicable: the audit reports on the historical financial information contained in this Prospectus do not contain any qualifications.

Section B(3) – What are the key risks that are specific to the issuer?

B.3.1 Key risks

- The Zegona Group may fail to implement its strategy, including to realise cost savings and stabilise revenues, such strategy may take longer to implement or the benefits may be materially lower than has been targeted or lead to disruption or other negative impacts.
- For a period of time following Completion, the Enlarged Group will be reliant on the Vodafone Group for the provision of certain services and any disruption to such services could be costly and have a material adverse effect on the Enlarged Group's business, results of operations, financial conditions and prospects.
- The Enlarged Group's financial flexibility may be restricted by its level of indebtedness and/or its ability to generate sufficient cash flows to service its indebtedness or meet its financial covenants resulting in default under the Enlarged Group's debt arrangements, increases in financing costs or the inability of the Enlarged Group to refinance its debt obligations.
- Failure to control customer churn may adversely affect Vodafone Spain's financial performance.
- Vodafone Spain's business may be affected by the process of consolidation in the telecommunications industry in Spain.
- Vodafone Spain may not be able to obtain or renew permits, concessions, licences or other agreements it relies on to operate its business on equally favourable terms or at all.
- Vodafone Spain and, following Completion, the Enlarged Group will rely on network sharing agreements to provide its services and depend upon other third-parties to access and maintain certain parts of its infrastructure.
- Vodafone Spain operates in a highly competitive industry.
- Vodafone Spain may not generate sufficient cash flow to fund the Enlarged Group's growth or capital expenditures following Completion.
- The Acquisition is subject to a number of conditions which may not be satisfied or waived, including Zegona Shareholder approval being granted to the Conditional Subscription, which may result in Completion not occurring or being materially delayed.
- Vodafone Spain may not perform in line with expectations prior to Completion.

Section C – Key information on the securities

Section C(1) – What are the main features of the securities?

C.1.1 - Description of type and class of securities being offered

The Offer comprises the issue by the Company of 697,654,138 New Zegona Shares, of which 174,413,535 are being issued in the Placing and 523,240,603 are being issued in the Conditional Subscription.

In addition, the Company proposes to issue up to 4,651,027 New Zegona Shares in the PrimaryBid Offer.

When admitted to trading, the New Zegona Shares will be registered with ISIN GB00BVGBY890 and SEDOL BVGBY89 and trade under the symbol "ZEG". The New Zegona Shares, together with the Existing Zegona Shares, will, on Admission and Re-Admission, comprise the entire issued and to be issued share capital of the Company.

C.1.2 - Currency of securities

The Zegona Shares are denominated in pounds sterling.

C.1.3 - Number of Existing Zegona Shares issued and par value

As at the date of this Prospectus, the Company has 6,172,424 fully paid Existing Zegona Shares of 1 penny. The Company has no partly paid shares in issue. The number of Zegona Shares in issue at Admission and Re-Admission, assuming the maximum number of New Zegona Shares are issued in the PrimaryBid Offer, and the Company does not undertake any buybacks of Zegona Shares prior to Admission and Re-Admission will be 708,477,589.

C.1.4 - Rights attaching to the New Zegona Shares

The rights attaching to the New Zegona Shares will be uniform in all respects amongst themselves and Existing Zegona Shares, and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

Subject to any rights and restrictions attached to any shares, on a show of hands every Shareholder who is present in person shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per Zegona Share. Except as provided by the rights and restrictions attached to any class of shares, Shareholders will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.

EJLSHM Funding Limited has irrevocably undertaken to Zegona and the holder of the Vodafone Preference Shares not to vote the Zegona Shares it holds without the consent of the holder of the Vodafone Preference Shares (as defined in D.1.1 below) (other than in connection with a takeover where the consideration is cash).

C.1.5 - Seniority of securities

Not applicable. There is no difference in seniority between Zegona Shares.

C.1.6 - Restrictions on free transferability of the Zegona Shares

Not applicable. The Existing Zegona Shares are freely transferable and the New Zegona Shares will be freely transferable on Admission.

C.1.7 - Dividend policy

Zegona intends to pay a stable initial dividend in the first two financial years following Completion. The New Facilities entered into in connection with the Acquisition enable Zegona to pay a limited dividend and Zegona is targeting an initial level of dividend which would provide a yield of 2 per cent. per annum based on the Offer Price in this initial period (this is a targeted level only and cannot be guaranteed as it will depend on, amongst other things, the performance of the business and regulatory and financing requirements). Thereafter, Zegona intends to pay a progressive dividend subject to target net leverage and other financial commitments and regulatory requirements.

Zegona's ability to pay dividends is limited under English company law, which limits a company to only paying dividends to the extent that it has distributable reserves available for this purpose and subject to the other requirements of the Companies Act. As a holding company, Zegona's ability to pay dividends in the future is, and will be, affected by a number of factors, most importantly the Zegona Group's ability to receive sufficient dividends from Vodafone Spain or any subsidiary or investment it may acquire in the future. With respect to Vodafone Spain, payment of such dividends is subject to legal and regulatory requirements and other restrictions under Spanish law, including, but not limited to, applicable tax laws. In addition, the financial condition and operating requirements of Vodafone Spain may limit the Zegona Group's ability to obtain cash from Vodafone Spain. These laws and restrictions could limit the payment of future dividends and distributions by Vodafone Spain to the Zegona Group, which could restrict Zegona's ability to pay a dividend to holders of the Existing Zegona Shares or the New Zegona Shares. Zegona can therefore give no assurance that it will be able to pay dividends going forward or as to the amount or timing of such dividends, if any.

Section C(2) – Where will the securities be traded?

C.2.1 - Admission

Applications will be made to the FCA and the London Stock Exchange, respectively, for the New Zegona Shares to be admitted to the standard listing segment of the Official List and to trading on the Main Market.

As the Acquisition is classified as a reverse takeover under the Listing Rules, upon Completion, the admission of all of the Zegona Shares in issue immediately prior to Completion to the standard listing segment of the Official List and to trading on the Main Market will be cancelled and applications will be made to the FCA and the London Stock Exchange, respectively, for the re-admission of the those Zegona Shares, including the New Zegona Shares, to the standard listing segment of the Official List and to trading on the Main Market.

Section C(3) – What are the key risks that are specific to the securities?

C.3.1 - Key risks

- Investments in listed securities may not be a suitable investment for all recipients and the market price of the Zegona Shares and/or Zegona Shares may be volatile
- Zegona Shareholders who do not subscribe for New Zegona Shares will experience material dilution on their ownership as a result of the Offer and the PrimaryBid Offer
- Zegona's ability to pay dividends on the Zegona Shares will depend on the availability of distributable reserves and dividend payments are not guaranteed

Section D – Key information on the Offer and Admission

Section D(1) – Under which conditions and timetable can I invest in this security?

D.1.1 - Terms and conditions of the Offer

The Company has raised net proceeds of £251 million, after deduction of the aggregate commissions and the other fees and expenses payable by the Company which are related to the Offer, by way of a non-pre-emptive placing of 174,413,535 New Zegona Shares at a price of 150 pence per New Zegona Share (the "**Offer Price**") (the "**Placing**"). The Offer Price represents a 380 per cent. premium to the closing mid-market price of a Zegona Share on 22 September 2023, the date when Zegona requested that trading in its shares was suspended by the London Stock Exchange following press speculation in relation to the Acquisition. The Company has also raised gross proceeds of €900 million through the conditional subscription for New Zegona Shares at the Offer Price by EJLSHM Funding Limited ("**Newco**") via a conditional subscription and relationship agreement dated 31 October 2023 (the "**Conditional Subscription**" and, together with the Placing, the "**Offer**"). Newco has agreed to subscribe for New Zegona Shares at the Offer Price (converted to Euro using a pound sterling/Euro exchange rate of £1/€1.1467 (the "**Exchange Rate**") or, if the Placing does not complete, such rate on the date prior to Completion) by using the proceeds of the issue by Newco of preference shares to the Seller (the "**Vodafone Preference Shares**"). Assuming the Placing completes, the amount of the Vodafone Preference Shares will be €900 million.

The Company also intends to raise gross proceeds of up to €8 million through a separate offering of New Zegona Shares at the Offer Price via the

PrimaryBid platform (the "**PrimaryBid Offer**").

The Placing is conditional on, amongst other things, (i) the lifting of the current suspension of the Zegona Shares to trading on the Main Market by not later than Admission; (ii) Admission having occurred not later than 8.00 a.m. on 17 November 2023 (or such later time or date as the Global Co-ordinator may agree with the Company, being not later than 24 November 2023); (iii) the Placing Agreement having become unconditional in all respects and not having been terminated prior to Admission; and (iv) the passing of the resolutions (without amendment) at the General Meeting. If any of the conditions are not satisfied or, if applicable, waived, then the Placing will not occur and any monies received in respect of the Placing will be returned to applicants without interest.

The Placing is not conditional on Completion and may therefore complete while the Acquisition does not. In such circumstances, the Directors' current intention is that, they may seek to undertake other transactions that the Directors consider (having sought Zegona Shareholder approval) appropriate. If the Zegona Group is unable to identify uses for the net proceeds of the Placing received by the Company at Admission which the Directors consider (having consulted with Zegona Shareholders) to be appropriate then the Company may seek to return some of the net proceeds of the Placing to Zegona Shareholders, at which point the Directors will evaluate how best, in their view, to execute such return of capital, having regard to applicable legal requirements and the Company's ongoing funding position. However, there can be no guarantee that such proceeds will be returned to Zegona Shareholders in a timely manner or at all.

On 31 October 2023, Newco and the Company entered into a buyback agreement (the "**Buyback Agreement**"). In the event that the Acquisition Agreement terminates after New Zegona Shares have been issued to Newco pursuant to the Conditional Subscription, the Company will undertake a buyback of all New Zegona Shares held by Newco pursuant to the terms of the Buyback Agreement (the "**Termination Buyback**"), as the purpose of issuing those New Zegona Shares to Newco is solely in respect of the Acquisition and in those circumstances the Vodafone Preference Shares will not be issued. In such circumstances, the Company would buyback all of the New Zegona Shares held by Newco in consideration for the set-off of a promissory note issued by Newco to the Company in respect of the issue of the €900 million of New Zegona Shares pursuant to the Conditional Subscription (assuming the Placing completes). In addition, to ensure that the Seller is not prejudiced by the Placing occurring after the Acquisition, Zegona has agreed with Newco that if the New Zegona Shares subscribed for by Newco are issued by Zegona to Newco pursuant to the Conditional Subscription, and the Acquisition completes before the Placing completes, Zegona will undertake a buyback of such number of New Zegona Shares as have a value (based on a price of £1.50 per New Zegona Share) equal to 50 per cent. of the amount, if any, by which the gross proceeds of the Placing received by the company exceed €400 million (capped at €100 million) (the "**Oversubscription Buyback**"). The proceeds of any such Oversubscription Buyback are expected to be used by Newco to pay the accrued preferential dividends on, or redeem the Vodafone Preference Shares. The buyback of Zegona Shares under the Buyback Agreement is conditional on the passing of the Buyback Resolution.

Once the Vodafone Preference Shares have been redeemed in full (including all accrued preferential dividends), it is expected that the Board will seek the Zegona Shareholders' approval to re-designate any remaining Zegona Shares held by Newco as non-voting deferred shares with negligible economic rights. Zegona Shareholders should be aware that the re-designation of Zegona Shares held by Newco would increase their percentage holding of Zegona Shares. The Company will therefore give Zegona Shareholders at least six months' notice of such action. Zegona Shareholders should be aware that if any tax is payable by Newco this may delay the point at which the Vodafone Preference Shares can be fully redeemed and therefore the point at which the Zegona Shares held by Newco will be re-designated. The Company will consult with shareholders and will endeavour to implement the mechanism for the re-designation in such a way that takes into account relevant factors for shareholders which may include shareholding thresholds that could be breached by the re-designation.

The New Zegona Shares will, when issued and fully paid, rank *pari passu* in all respects with each other and with each Existing Zegona Share, including the right to receive all dividends or other distributions declared with a record date falling after Admission.

The Company and the Joint Bookrunners have entered into the Placing Agreement pursuant to which the Joint Bookrunners severally agreed, on the terms and subject to the conditions contained therein, to use reasonable endeavours to procure, as agents for the Company, subscribers for the New Zegona Shares. If any subscriber procured by the Joint Bookrunners fails to subscribe for the New Zegona Shares which they have agreed to subscribe for, the Joint Bookrunners have severally agreed, in specific proportions, to themselves subscribe for such New Zegona Shares at the Offer Price as principals. None of the Joint Bookrunners is acting for the Company with respect to the PrimaryBid Offer.

The offer of New Zegona Shares to persons resident in, or who are citizens of, or who have a registered address in countries other than, the United Kingdom may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to subscribe for New Zegona Shares pursuant to the Offer or the PrimaryBid Offer.

The New Zegona Shares have not been, and will not be, registered under the U.S. Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States. The New Zegona Shares will be offered (i) in the United States only to QIBs that are also QPs, who have each executed and delivered to the Company a U.S. Investor Letter, in transactions that are exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside of the United States in "offshore transactions" as defined in, and in reliance on, Regulation S. Moreover, the Company has not been and will not be registered under the U.S. Investment Company Act and investors will not be entitled to the benefits of the U.S. Investment Company Act.

No actions have been taken to allow a public offering of the New Zegona Shares under the applicable securities laws of any jurisdiction, including Australia, Canada, Japan or South Africa. Subject to certain exceptions, the New Zegona Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen of any jurisdiction, including Australia, Canada, Japan or South Africa. This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase, any of the New Zegona Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

D.1.2 - Expected Timetable[1]

Event	Time and date[(1)]
Announcement of the Acquisition and the debt financing	7 a.m. on 31 October 2023
Delivery of the circular in respect of the General Meeting	31 October 2023
Announcement of the Placing	9 November 2023
Announcement of the results of the Placing	13 November 2023
Publication of this Prospectus	13 November 2023
Announcement of the PrimaryBid Offer	13 November 2023
Latest time and date for receipt of proxy appointment	11 a.m. on 14 November 2023
Announcement of the results of the PrimaryBid Offer	15 November 2023
General Meeting	11 a.m. on 16 November 2023
Expected date of Admission and commencement of dealings in the New Zegona Shares on the London Stock Exchange	8 a.m. on 17 November 2023
New Zegona Shares expected to be issued and credited to CREST accounts	17 November 2023
Expected date of Completion	between January 2024 and March 2024
Cancellation of the listing of the Zegona Shares on the London Stock Exchange	8 a.m. on the date of Completion
Re-admission of the Zegona Shares	8 a.m. on the date of Completion

Note:

(1) References to a time of day are to London time. The dates and times given are indicative only and are based on the Company's current expectations and may be subject to

change. If any of the times and/or dates above change in any material respect, the revised times and/or dates will be notified to Zegona Shareholders via an RIS announcement.

D.1.3 - Admission

Applications will be made to the FCA and the London Stock Exchange for the New Zegona Shares to be admitted to the standard listing segment of the Official List and to trading on the Main Market.

As the Acquisition is classified as a reverse takeover under the Listing Rules, upon Completion the admission of all of the Zegona Shares in issue immediately prior to Completion to the standard listing segment of the Official List and to trading on the Main Market will be cancelled and applications will be made to the FCA and the London Stock Exchange, respectively, for the re-admission of the those Zegona Shares, including the New Zegona Shares, to the standard listing segment of the Official List and to trading on the Main Market.

D.1.4 - Dilution

The Existing Zegona Shares will be diluted by the issue of the New Zegona Shares. Assuming the maximum number of New Zegona Shares are issued and there are no other changes to Zegona's share capital between the date of this Prospectus and Admission, Existing Zegona Shareholders who do not participate in the Placing or the PrimaryBid Offer will suffer dilution of approximately 99 per cent. to their shareholdings in the Company.

D.1.5 - Net proceeds and expenses

Under the Placing, 174,413,535 New Zegona Shares are being made available to investors at an Offer Price of 150 pence per New Zegona Share, raising total gross proceeds of £262 million, which is subject to commissions and other estimated fees and expenses of the Offer of £11 million, resulting in total net proceeds for the Company from the Placing of £251 million.

No expenses will be charged by the Company to any investor who subscribes for New Zegona Shares pursuant to the Placing.

The Company has also raised gross proceeds of €900 million from Newco via the Conditional Subscription (assuming the Placing completes).

The Company also intends to raise gross proceeds of up to €8 million in the PrimaryBid Offer. No expenses will be charged to investors who decide to participate in the PrimaryBid Offer by the Company or PrimaryBid.

Section D(2) – Why is this Prospectus being produced?

D.2.1 - Reasons for the Admission and Re-Admission

This Prospectus is being published by the Company in connection with:

- the Admission of the New Zegona Shares to be issued in connection with the Offer and the PrimaryBid Offer (the net proceeds of which will be used by the Company to partially fund the Acquisition, fees and expenses incurred in connection with the Transaction and for general corporate purposes); and
- the Re-Admission of the issued and to be issued Zegona Shares upon Completion of the Acquisition (given that, in view of its size, the Acquisition is classified as a reverse takeover of the Company under the Listing Rules. Among other things, the Acquisition therefore requires the Company to reapply for Re-Admission upon Completion).

D.2.3 - Conflicts of interest

Not applicable: there are no interests that are material to the Offer or the PrimaryBid Offer.

PART II. RISK FACTORS

A number of factors affect the business, operating results, financial condition and prospects of the Zegona Group, Vodafone Spain and, following Completion, the Enlarged Group. This section describes the risk factors which are considered by Zegona to be material in relation to the Zegona Group, Vodafone Spain and, following Completion, the Enlarged Group if the Acquisition is completed. The risks and uncertainties described below are set out in order of most material to least material. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to Zegona, or which Zegona currently deems immaterial, may also have an adverse effect on the Zegona Group's, Vodafone Spain's and, following Completion, the Enlarged Group's business, operating results, financial condition and prospects.

Prospective investors should further note that the risks relating to the Zegona Group, Vodafone Spain and, following Completion, the Enlarged Group, the industries in which they operate and the Zegona Shares summarised in Part I (Summary) of this Prospectus are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Zegona Shares. However, as the risks which the Zegona Group, Vodafone Spain and, following Completion, the Enlarged Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Part I (Summary) of this Prospectus, but also the risks and uncertainties described below, together with all other information contained in this Prospectus and the information incorporated by reference herein, before making any investment decision. This Prospectus contains "forward-looking" statements that involve risks and uncertainties. The actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include those discussed below and elsewhere in this Prospectus.

A. Risks Relating to the Enlarged Group

A.1 ***The Zegona Group may fail to implement its strategy, including to realise cost savings and stabilise revenues, such strategy may take longer to implement or the benefits may be materially lower than has been targeted or lead to disruption or other adverse effects on the business***

The success of the Acquisition for the Zegona Group depends to a large extent on the Zegona Group's ability to implement its strategy. The Zegona Group's strategic priorities for Vodafone Spain following Completion involves the injection of new senior management, stabilising revenues with new commercial initiatives, executing a major cost reduction programme and considering the implementation of a potential "Netco" transaction. There is no guarantee that the Zegona Group will be able to implement any of these strategic priorities (including injecting new senior management) in whole or at all, or that they will have the expected impact on the business.

In particular, in relation to the cost reduction programme, the Company has identified key areas where Vodafone Spain's cost base is significantly higher than relevant peers (on a benchmark basis) and therefore where the Directors believe specific cost savings action could be taken. This includes specific cost reduction actions in areas such as subscriber acquisition costs (driving distribution away from traditional retail stores towards digital channels), bad debt collections, TV content costs, IT capital expenditure, Vodafone Spain's technology projects, fixed wholesale access costs and support and other operational expenditures.

Potential cost reduction actions, and any benefits which may flow from these, relate to future actions and circumstances which by their nature involve risks, uncertainties and contingencies and are based on assumptions that may prove to be wrong. As such, cost savings may not be achieved as quickly as anticipated, may be materially different from those which have been identified and may not materialise at all. Furthermore, given the passage of time, the different size, geographical split and different product mix between the two companies, the Directors' experience of implementing cost-saving measures at Euskaltel does not mean that such cost savings (or any) will be achieved with Vodafone Spain.

This risk is heightened because the Enlarged Group's ability to implement the identified cost reduction actions and/or stabilise Vodafone Spain's revenues will be dependent upon a significant number of factors, some of which may be beyond the control of the Enlarged Group. For example, the success of the Company to implement its strategy will be dependent on the future economic environment in Spain, including inflationary pressures which may make it impossible to implement or realise the benefits of the identified cost reduction actions, the actions of Vodafone Spain's competitors following Completion (including where competitors have established relationships with potential wholesale customers, which may impact Vodafone Spain's ability to win new wholesale contracts) or the retention of potential new SME customers who benefitted from the European Union's Recovery and Resilience Facility once funds from that facility are no longer available.

The Enlarged Group's operations, customer service, relationships with suppliers, customers and other partners of the Vodafone Group could also be adversely affected as a result of the Acquisition and/or the identified cost reduction actions (including if suppliers and other partners terminate or wish to renegotiate any arrangements with the Enlarged Group as a result of the Acquisition or tighter credit scoring and bad debt actions negatively impact churn) or otherwise.

Further, the activities required to implement the identified cost reduction actions could disrupt or negatively impact Vodafone Spain's business or customer experience, which could have a material adverse effect on the Enlarged Group's reputation, business, financial condition and results of operations following Completion.

The Directors also believe that Zegona Management can implement new commercial initiatives to stabilise revenue following Completion, including through making winning major wholesale contracts a priority, a market that Vodafone Spain has not historically prioritised and in which it has a limited market share, and seeking to benefit from the Spanish government's allocation of funding from the European Union's Recovery and Resilience Facility to potential SME customers as well as taking advantage of industry consolidation trends.

However, there is a risk that the stabilisation of revenues may fail to be implemented or materialise or take longer than expected to achieve or that the Company's assumptions when developing its strategy turn out to be inaccurate.

Zegona may also consider the implementation of a "Netco" transaction following Completion, which could involve either the sale of the Vodafone Spain fixed line network to an investor and/or a merger with an existing Spanish network operator in order to monetise this fixed network in the future. There is no guarantee that Zegona or the Enlarged Group will be able to implement any "Netco" transaction in a timely fashion (or at all), the value or the detailed structuring of any such transaction, or that the benefits of such a transaction will be able to be achieved in their entirety or at all.

Failure to achieve the Zegona Group's strategic priorities either at all or within the expected timeframe could have a material adverse effect on the Enlarged Group's reputation, business, financial condition and results of operations following Completion and inhibit the Company's ability to realise benefits from this investment and/or generate shareholder returns.

A.2 ***For a period of time following Completion, the Enlarged Group will be reliant on the Vodafone Group for the provision of certain services and any disruption to such services could be costly and have a material adverse effect on the Enlarged Group's business, results of operations, financial conditions and prospects***

In connection with the Acquisition, members of the Enlarged Group and Vodafone Group will enter into certain agreements for the provision of services and grant of rights following Completion (the "**Intercompany Agreements**"), including but not limited to a brand licence agreement ("**BLA**"), a transitional services agreement ("**TSA**"), a procurement services agreement ("**PSA**") and a reverse transitional services agreement ("**RTSA**"). The Intercompany Agreements envisage:

(i) the grant by Vodafone Group to the Enlarged Group of rights to use the Vodafone brand for a period of 10 years following Completion;

(ii) arrangements for Vodafone Group to provide the Enlarged Group with continued access to certain facilities and services on a long-term basis, including Vodafone Group's Internet of Things ("**IoT**") platform, roaming, "OneNumber", "Internet in the Car" offering and telematics products, access to reciprocal roaming services agreements with local operators and the pass-through of Vodafone Group's existing carrier master services agreements for various periods (agreed on a service-by-service basis) following Completion;

(iii) the provision by Vodafone Group to the Enlarged Group of other services including central procurement, certain consumer, business, carrier, technology, network, finance, access to ERP systems, corporate functions and other support services for transitional periods following Completion;

(iv) provision by the Enlarged Group to Vodafone Group of technology networks, business customer, business IoT, partner markets and IT support services for a transitional period of up to two years following Completion; and

(v) provision by the Enlarged Group to Vodafone Group of co-location, ethernet and dark fibre capacity to enable Vodafone Group's use of its own international fixed line network assets and other assets relating to its group network and IT platforms.

The majority of transitional services to be provided between the Enlarged Group and Vodafone Group following Completion under the Intercompany Agreements will be provided for a fixed period of up to two years (depending on the services). The licence granted under the BLA will continue for 10 years. As the Enlarged Group does not currently have the internal capabilities to provide all the services which it will receive under the Intercompany Agreements on a standalone basis without third party support, the Intercompany Agreements provide contractual protections for the continued provision of these services during the relevant transitional period, absent which the Enlarged Group would need to procure these services from other third party providers or otherwise be unable to provide all of its current services. As a result, any significant disruption or other issues in the services provided to the Enlarged Group under the Intercompany Agreements, even if they give rise to a contractual claim, may cause operational difficulties, including diverting management attention from other aspects of the Enlarged Group's operations, that could negatively impact the Enlarged Group's performance, prospects and results of operations.

Following the transitional periods set out in the Intercompany Agreements, the Enlarged Group will be required to provide these services internally or obtain these services from a third party provider. There is no guarantee that the Enlarged Group will be able to develop and/or implement these capabilities, or source such services from third parties at the same or lower cost, on the same or similar commercial or legal terms or at the same level of quality as those provided by Vodafone Group, or at all. If the Enlarged Group does not effectively develop and implement these capabilities, or it is unable to source further arrangements from third party providers (whether on satisfactory terms and level of service or at all), such additional constraints could jeopardise the Enlarged Group's ability to execute its strategy and its business, results of operations, financial condition and prospects could be materially and adversely affected.

A.3 ***The Enlarged Group, following Completion, may be negatively affected if Vodafone Spain is unable to obtain the same types and level of benefits, services and resources that historically have been provided by Vodafone Group given its scale and market position, or may be unable to obtain them at the same cost or on equally favourable terms***

Vodafone Spain has historically received benefits and services from the Vodafone Group, including benefitting from the Vodafone Group's scale, market position and market intelligence from other markets where Vodafone Group operates. Following Completion, Vodafone Spain will no longer benefit from the Vodafone Group's services or business relationships to the extent not otherwise addressed in the Intercompany Agreements. Under the PSA, the Vodafone Group will seek to negotiate new third party supply agreements on behalf of the Enlarged Group on similar terms to those which apply to members of the Vodafone Group. Notwithstanding this, there is no guarantee that the Enlarged Group, following Completion, will be able to adequately replace or obtain resources, which were formerly provided to Vodafone Spain by the Vodafone Group (which due to its scale and market position included certain discounts and reduced fees) but which are excluded from the scope of the Intercompany Agreements, at the same or lower cost or on other equally favourable terms.

If the Enlarged Group is not able to replace the services provided by Vodafone Group or is unable to replace them without incurring significant additional costs or on equally favourable terms, or is delayed in replacing the services provided by Vodafone Group or if the potential customers or other partners of Vodafone Spain do not view the Enlarged Group's business relationships as equivalent to Vodafone Group's, this could increase the Enlarged Group's expenses and/ or reduce revenues, which could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

A.4 ***The Intercompany Agreements may not provide for all the services required to operate the Vodafone Spain business following Completion and Vodafone Spain has not operated as a stand-alone company for over twenty years***

On or prior to Completion, members of the Enlarged Group and the Vodafone Group will enter into the Intercompany Agreements, which will provide for certain transitional and long term rights and services to be procured and provided for the benefit of the Enlarged Group. The services to be provided to the Enlarged Group under the Intercompany Agreements are those that the Directors believe, following discussions and consultation with Vodafone Group, are required to operate the Vodafone Spain business following

Completion in a similar manner to which it is operated today. However, Vodafone Spain has not operated as a standalone business since the acquisition of a controlling stake in Vodafone Spain by the Vodafone Group in January 2001 and there is therefore no guarantee that additional services will not be required to be procured or provided by the Company under the Intercompany Agreements in order to operate the Vodafone Spain business in the same manner as it is operated today. While the TSA provides for the potential provision of additional services by Vodafone Group in certain circumstances, if such services are identified within six months of Completion, there is no guarantee that any such services will be identified within this time period or, having been identified, Vodafone Group will be required to provide such services.

If the Intercompany Agreements do not provide for all the services required in order to operate the Vodafone Spain business in a similar manner to which it is operated today, it could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

A.5 ***The Enlarged Group's financial flexibility may be restricted by its level of indebtedness and/or its ability to generate sufficient cash flows to service its indebtedness or meet its financial covenants resulting in default under the Enlarged Group's debt arrangements, increases in financing costs or the inability of the Enlarged Group to refinance its debt obligations***

As a result of increased borrowing in relation to the Acquisition, the Company estimates that the senior debt outstanding to FY23 Business EBITDAaL[1] of the Enlarged Group as at Completion will be up to approximately 3.0x (based on an amount of New Facilities (defined below) of €3.9 billion at Completion, which amount may reduce depending on the net proceeds of the PrimaryBid Offer). The senior debt outstanding to Business EBITDAaL ratio may be higher than estimated by the Company or in the event of material disruptions to cash flows, there is a risk that, following Completion, the Enlarged Group's senior debt outstanding to Business EBITDAaL ratio may not decrease at the anticipated rate or at all, or that the Enlarged Group will be unable to refinance its debt obligations or obtain future financing on favourable terms or at all.

The Enlarged Group has, in connection with the Acquisition, received commitments to the Company and Zegona Holdco Limited ("**Borrower**") from the Debt Underwriters consisting of (i) a term loan A facility in an aggregate principal amount up to €500 million (the "**Term Loan A Facility**"), (ii) corporate bridge facility in an aggregate principal amount up to €3,700 million which has an initial term of 12 months (with two six month options to extend the facility at Borrower's election) (the "**Corporate Bridge Facility**"), (iii) a revolving credit facility in an aggregate principal amount up to €500 million (the "**Revolving Credit Facility**" and, together with the Term Loan A Facility and the Corporate Bridge Facility, the "**New Facilities**").

The Enlarged Group's level of indebtedness, the covenants and other provisions contained in the documents in respect of the New Facilities may have important consequences for the Enlarged Group's future prospects and financial condition following Completion including:

- increasing the Enlarged Group's vulnerability to both general and industry specific adverse economic conditions and its flexibility to respond to such conditions;
- limiting the Enlarged Group's flexibility in planning for, or reacting to, changes in technology, customer demand and competitive pressures;
- placing the Enlarged Group at a disadvantage compared to those competitors, who are less leveraged and restricted by financial covenants than the Enlarged Group;
- limiting the ability of the Enlarged Group to acquire or divest of assets (including, without limitation, its ability to refinance its existing debt obligations in the event of a "Netco" transaction);
- causing the Enlarged Group to dedicate a substantial portion of its cash flow from operations to service the indebtedness and causing it to reprioritise the uses to which its capital is put to the potential detriment of the Enlarged Group's other business needs, which, depending on the level of the Enlarged Group's borrowings, prevailing interest rates and exchange rates fluctuations, could result in reduced funds being available for expansion, dividend payments, returns of value and other general corporate purposes;
- restricting the payment of dividends or conducting share buy-backs;
- increasing the cost of servicing the Enlarged Group's borrowings in the event such covenants are renegotiated; and

[1] A reconciliation to Adjusted EBITDAaL can be found in the paragraph entitled "Key Performance Indicators" of Part IV (*Important Information*) of this Prospectus.

- materially and adversely affecting investor perception of the Enlarged Group, leading to a decline in the price or value of its securities.

The Enlarged Group's ability following Completion to raise capital or refinance its debt will also depend on a number of market factors out of the control of the Enlarged Group, including the liquidity of the capital markets and the net proceeds of the Placing. In the event that market conditions prevent the Enlarged Group from raising additional capital or refinancing its debt in the longer term, it may not be able to meet its debt repayment obligations at maturity. In addition, the terms of any refinancing indebtedness may be materially more burdensome to the Enlarged Group than the indebtedness it refinances. Such terms, including additional restrictions on Vodafone Spain's operations and higher interest rates, could have a material adverse effect on the Enlarged Group's business, prospects, financial condition, results of operations.

In particular, the Enlarged Group intends to replace the Corporate Bridge Facility through longer-term alternative debt financing, the terms of which will be subject to market conditions at the time of refinancing as well as to the rights of the Debt Underwriters to reduce the leverage within the borrower group. The exercise of such rights may result in less favourable terms than the Corporate Bridge Facility. Whilst the Corporate Bridge Facility is for an initial term of 12 months, which may be extended by two further 6-month terms at the option of the borrower (subject to certain conditions), there is no guarantee that the Enlarged Group will be able to raise sufficient funding to replace this facility. Under the Corporate Bridge Facility, the Enlarged Group may be required to pay higher interest rates compared to alternative debt products that will increase over the life of such facility and the Enlarged Group could remain subject to restrictive covenants, which may be more onerous than those that other debt investors may require. This may expose the Enlarged Group to an increased risk that it may be unable to generate sufficient cash flows to service the indebtedness or meet the covenants under the terms of the Corporate Bridge Facility. If the Enlarged Group is not able to refinance the Corporate Bridge Facility or reduce the leverage of the borrower group in time, the Enlarged Group may be required or decide to undertake other measures to facilitate such refinancing or deleveraging, which may include the accelerated disposal of assets or the incurrence of refinancing debt above the borrower group.

The New Facilities will contain a number of financial and restrictive covenants and other provisions that will limit Vodafone Spain's ability to operate its business. For example, some of these provisions limit Vodafone Spain's ability to enter into mergers, make a substantial change to the nature of Vodafone Spain's business, make disposals, incur additional financial indebtedness, create security over assets, provide guarantees, make loans, make acquisitions and investments or undertake share buy-backs. A failure to comply with these obligations could lead to a default under the terms of the New Facilities, which would prevent the Enlarged Group from borrowing any additional amounts thereunder or the lenders thereunder declaring all outstanding principal and interest becoming immediately due and payable and there can be no assurance that the Enlarged Group's assets would be sufficient to repay such debt in full.

Furthermore, any inability of the Enlarged Group to meet repayment obligations in the longer term under its debt arrangements, including the New Facilities, could trigger various default provisions, accelerate a substantial portion (if not all) of its debt and materially adversely affect the Enlarged Group's business, prospects, financial condition and results of operations.

For the avoidance of doubt, nothing in this risk factor is intended to qualify the working capital statement given at paragraph 13 of Part XX (*Additional Information*) of this Prospectus.

A.6 ***The Enlarged Group will have an ongoing relationship with Vodafone Group following Completion and, as a result, the future reputation or actions of Vodafone Group or any successor of Vodafone Group could adversely affect the Enlarged Group***

Following Completion, the Enlarged Group will provide to and have provided to it by Vodafone Group certain transitional and long term services pursuant to the Intercompany Agreements. Changes in the strategic direction of Vodafone Group, or any successor of Vodafone Group, due to consumer consumption trends or otherwise could, over time, impact the positioning of the Vodafone brand in the premium market and offerings of Vodafone Group's brands and programmes, including those being made available to the Enlarged Group. Any such changes negatively impacting the services being provided by Vodafone Group to the Enlarged Group could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

In particular, the Enlarged Group will enter into the BLA which permits the use of the Vodafone brand on a non-transferable, non-sublicensable (in each case, save as permitted under the BLA) basis. The BLA commences on Completion and continues for a term of 10 years. However, there is no guarantee that this BLA will not be terminated prior to the end of this term, for example early termination of the BLA is possible with immediate effect (subject to a run off period of varying lengths) on written notice served by a party if another party commits a material breach (which, if remediable, is not remedied within 30 days of a notice requiring such a remedy) or becomes subject to an event of insolvency. Vodafone Group plc may also terminate the BLA with immediate effect on written notice if any licensee challenges the validity of the Vodafone trade marks, or causes damage or detriment to the reputation or goodwill associated with the Vodafone brand (which is not remedied within 30 days of Vodafone Group requiring such a remedy), and on the occurrence of certain other events. Run off periods, of varying lengths, apply on termination to ensure a smooth transition away from the use of the Vodafone brand to a new brand to be utilised by the Vodafone Spain group. Following the expiry of the BLA, there is no guarantee that the Enlarged Group will be able to renew the BLA on substantially similar terms or at all. In addition, there is a requirement under the BLA for the Vodafone Spain Group to enact a brand separation plan to ensure a smooth transition away from the Vodafone brand once the term of the BLA elapses. However, there is no guarantee that the brand separation plan will be successful. If the Enlarged Group is not able to renew such BLA or is not able to successfully transition the Vodafone Spain business to another brand, it could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

Further, the reputation of the Vodafone Spain business will be tied to the reputation of the Vodafone Group business during the period it is using the Vodafone brand in Spain. Any material adverse change in the reputation of the Vodafone Group business, for example, if the quality of the services provided by the Vodafone Group pursuant to the Intercompany Agreements (see risk factor A.2 "*For a period of time following Completion, the Enlarged Group will be reliant on the Vodafone Group for the provision of certain services and any disruption to such services could be costly and have a material adverse effect on the Enlarged Group's business, results of operations, financial conditions and prospects*" of section A of Part II (*Risk Factors*) of this Prospectus) declines or is perceived by consumers to decline, a failure to protect customer data through cyber-attacks or otherwise, or any other adverse publicity about the Vodafone Group could have a material adverse effect on the reputation of the Enlarged Group following Completion, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operation and prospects.

A.7 ***Each of the Company and Vodafone Spain depend on their respective abilities to attract and retain key personnel without whom they may not be able to manage their business effectively, the loss of certain key executives or other personnel at the Company or Vodafone Spain could harm the business of the Company or Vodafone Spain***

Both the Company's and Vodafone Spain's operations are currently managed by a number of executives and employees who the Company considers key. The Directors believe that the loss of any key personnel or employees as a result of the Acquisition or otherwise could significantly impede Vodafone Spain's and, following Completion, the Enlarged Group's future plans and the execution of the Company's strategy with respect to the Vodafone Spain business. In addition, competition for qualified executives in the telecommunications industry is intense. Vodafone Spain and, following Completion, the Enlarged Group's growth and success in implementing its business plans largely depends on its continued ability to attract and retain experienced senior executives (including Zegona's proposed appointment of José Miguel García as CEO of Vodafone Spain following Completion, which is subject to contract and any discussions on terms, and therefore cannot be guaranteed) as well as highly skilled employees within the Enlarged Group, and it may not be successful in doing so. Further, following Completion, the Enlarged Group could be subject to legal or other claims which could affect its ability to hire key people. If any of the Company's or Vodafone Spain's senior executives or other key personnel ceases their employment, and the Company and/or Vodafone Spain is not able to replace such senior executives or key personnel, this could have a material adverse effect on Vodafone Spain's, or following Completion, the Enlarged Group's business, financial condition and results of operations.

A.8 ***The Enlarged Group, following Completion, may be exposed to interest rate risk related to the New Facilities, which could cause its indebtedness service obligations to increase significantly***

The interest rates on the New Facilities are linked to a margin over EURIBOR. Interest rates may increase in the future. As a result, interest rates on the New Facilities or any other variable rate indebtedness the Enlarged Group may incur could be higher than current levels. If interest rates increase, the Enlarged Group's debt service obligations on its variable rate indebtedness (including the New Facilities) would increase even though the amount borrowed remained the same, and the Enlarged Group's profit and cash flows, including cash available for servicing its indebtedness, would correspondingly decrease. Interest rate hikes in the future by the U.S. Federal Reserve, the Bank of England, European Central Bank and various other governmental bodies in the countries where the Enlarged Group has, or will have, operations could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

B. Risks Related to the Business and Operations of Vodafone Spain and the Industry in which it operates

B.1 *Failure to control customer churn may adversely affect Vodafone Spain's financial performance*

The success of Vodafone Spain's business plan depends to a large extent on its ability to control customer churn. Customer churn is a measure of customers who stop using Vodafone Spain's services. Customer churn could increase for, amongst other reasons:

- dissatisfaction with the quality of Vodafone Spain's customer service;
- customers moving to areas where Vodafone Spain does not or cannot offer equivalent services;
- negative perception of the Enlarged Group's ability to continue to provide services required by Vodafone Spain's customers;
- inability of the Enlarged Group to continue to partner with financial institutions to offer mobile device subsidies or funding programmes;
- interruptions to the delivery of services to customers over the Vodafone Spain network and poor fault management; or
- the availability of competing services, some of which may be less expensive, technologically superior or in addition to those offered by Vodafone Spain, offer content or features that Vodafone Spain does not offer (for example, live sports bundles for PayTV, including football content that Vodafone Spain does not offer) or offer an alternative telecommunications solution (for example, emerging or disruptive technologies and business models, which may seek to enter or gain market share in the telecommunications market in Spain). See also risk factor B.7 (*Vodafone Spain operates in a highly competitive industry*) in this section B of Part II (*Risk Factors*) of this Prospectus.

Further, following Completion, Vodafone Spain will obtain a number of transitional and long-term services from the Vodafone Group pursuant to the Intercompany Agreements. Any failure or delay in the provision of such transitional and long-term services, or inability of the Enlarged Group to effectively obtain or provide such services following the expiry of the Intercompany Agreements, could have an impact on Vodafone Spain's ability to retain customers. For further information on the Intercompany Agreements, please refer to risk factor A.2 (*For a period of time following Completion, the Enlarged Group will be reliant on the Vodafone Group for the provision of certain services and any disruption to such services could be costly and materially and adversely affect the Enlarged Group's business, results of operations, financial conditions and prospects*) in section A of Part II (*Risk Factors*) of this Prospectus.

Vodafone Spain's and, following Completion, the Enlarged Group's inability to control churn or an increase in churn as a result of any of these factors or otherwise could lead to a reduction in revenue, which could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.2 *Vodafone Spain may not generate sufficient cash flow to fund the Enlarged Group's growth or capital expenditures following Completion*

Vodafone Spain has major capital resource requirements relating to, among other things, the following:

- developing and deploying new technologies and the products and services associated with them;
- maintaining the quality of the Vodafone Spain network, including overseeing its outsourced services, in a timely and cost-effective manner in order to sustain and expand its customer base, service offerings, quality of service and network capacity enhance its operating and financial performance and satisfy regulatory requirements;
- ensuring its brands are well recognised and favourably viewed in the Spanish market;
- continuing to improve the loyalty of Vodafone Spain's customer base and attracting new customers; and
- continuously improving Vodafone Spain's processes and procedures through the implementation of new and upgraded systems and technologies.

The Enlarged Group's ability, following Completion, to fund Vodafone Spain's required capital expenditure and growth depends on its ability to generate positive cash flows after all such costs and/or raising of finance, such as drawing on its credit facilities. In particular, if Vodafone Spain fails to maintain and improve its network, Vodafone Spain services may be less attractive to existing and potential customers and it may lose customers to competitors who are able to provide higher quality services. This could negatively impact Vodafone Spain's financial condition and make it more difficult for Vodafone Spain and, following Completion, the Enlarged Group to fund its operations. In addition, Vodafone Spain's liquidity and capital resources requirements may increase if it expands into additional areas of operation. The Enlarged Group may not generate sufficient cash flow or have access to sufficient funding to meet these requirements. If the Enlarged Group fails to meet these requirements, it could have an adverse effect on Vodafone Spain's business, prospects, results of operations, financial conditions and the Enlarged Group's future growth could be significantly curtailed. Similarly, unexpected reductions in the Enlarged Group's cash flow as a result of adverse trading conditions may result in constrained operational expenditure which might result in a reduction in planned capital expenditure or investment, ultimately delaying operational improvements, and the Enlarged Group's future growth could be significantly curtailed, any of which could have a material adverse effect on its business, prospects, financial condition and results of operations.

The implementation of the Enlarged Group's business strategy may also expose the Enlarged Group to additional competitive and operational risks, and may place additional requirements and strain on the Enlarged Group's infrastructure, systems, controls, procedures and management. In addition, the Group's investments in new technology may not provide anticipated benefits or may expose the Group to additional risks, for example, due to poor implementation or due to unexpected outcomes of new functionalities. Some of the Enlarged Group's systems are interdependent and a failure of one of these systems may result in dependent systems failing and further may have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.3 ***Vodafone Spain's business may be affected by the process of consolidation in the telecommunications industry in Spain***

There has been significant consolidation activity in the Spanish telecommunications and television market in the past, primarily through mobile-centric operators acquiring fixed-line assets operators. These acquisitions have led to a landscape of four main operators at the Spanish national level in 2023: MásMóvil, Orange Spain, Telefónica and Vodafone Spain. As of 23 July 2022, being the date the binding agreement was announced, Orange and MásMóvil are in an ongoing merger process which is pending regulatory approval in Spain (see also risk B.11 (*Vodafone Spain is subject to anti-trust regulations which may affect its business and its ability to undertake certain corporate transactions.*) in this section B of Part II (*Risk Factors*) of this Prospectus). While Zegona has identified potential benefits that may accrue to Vodafone Spain if the Orange/MásMóvil merger completes, including potential pricing opportunities, particularly given the expected leverage of the combined Orange/MásMóvil group following completion of the merger, there is no guarantee that any such benefits will accrue to Vodafone Spain in full or at all. In the event the Orange/MásMóvil merger does not complete, there is no guarantee that a merger between the Enlarged Group and MásMóvil could be possible or that the synergies identified by the Directors that would be possible in a combined Enlarged Group/MásMóvil entity would be possible to achieve.

Vodafone Spain's competitors could also gain advantages over it through mergers, joint ventures and alliances among fixed-line, mobile, other telecommunications and television providers in Spain, including economies of scale. Further consolidation process in the Spanish telecommunications and television market may affect Vodafone Spain's business if it leads to, among other things:

- less capacity to influence regulatory matters;
- difficulty in accessing key television content at a price which allows for attractive margins;
- remedies ordered by anti-trust authorities which benefit Vodafone Spain's competitors or other market participants, such as divestments in favour of smaller operators or ordering terms of wholesale or roaming agreements in favour of MVOs, including as a potential outcome of the Orange/MásMóvil merger announced on 22 July 2022 (see also risk factor B.10 ("*Vodafone Spain is subject to anti-trust regulations which may affect its business and its ability to undertake certain corporate transactions*") of this section B of Part II (*Risk Factors*) of this Prospectus;
- the existence of competitors with greater market share in Vodafone Spain's territories and with greater local and/or financial resources and/or efficiencies of scale and/or access to additional brands; and

- an increase in the marketing spend by those larger integrated providers.

If any of these factors were to materialise, Vodafone Spain's revenues, profitability and financial condition could deteriorate if it becomes necessary to increase its operating costs and/or increase the level of its investments above those originally anticipated. In addition, if the market is increasingly concentrated between operators with greater scale than Vodafone Spain it could become more difficult for Vodafone Spain to compete. Any of these factors could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.4 *Vodafone Spain may not be able to obtain or renew permits, concessions, licences or other agreements it relies on to operate its business on equally favourable terms or at all*

The business of Vodafone Spain and, following Completion, the business of the Enlarged Group will be provided under certain permits, concessions, licences, registrations and other agreements that may be difficult to obtain or are subject to periodic renewal and review procedures. For example, Vodafone Spain relies on licences to use spectrum to offer its services. Spectrum auctions are infrequent (no 5G auctions are expected in the foreseeable future) and, since the allocation of frequency spectrum is controlled by the Spanish government, if additional frequency spectrum is required it may not be possible, or prohibitively expensive, to purchase additional spectrum via public auction or private sale. The emergence of new and/or disruptive technologies and business models may also make frequency spectrum more difficult or expensive to obtain in the future (see also risk factor B.7 (*Vodafone Spain operates in a highly competitive industry*) and B.12 (*Vodafone Spain's business is subject to rapid and significant change in technology and, if it fails to introduce new or enhanced products and services successfully, Vodafone Spain's and, following Completion, the Enlarged Group's revenues and margins could be lower than expected*) in this section B of Part II (*Risk Factors*) of this Prospectus).

Renewal of permits, concessions, licences, registrations or agreements may be conditional on a variety of factors including, in respect of the Vodafone Group's spectrum licences the payment of spectrum fees and conditions relating to deployment and coverage. These permits, concessions, licences, registrations and agreements often contain extensive obligations with which the licensee is required to comply and may also include clauses which allow the grantor to terminate, revoke or alter them in the event of a change of control, default or to promote public interest. Failure to meet these requirements could also result in fines or other sanctions. In addition, the permits, concessions, registrations and licences of Vodafone Spain are generally not exclusive, and if the Acquisition is completed, the permits, concessions, licences, registrations and other agreements of the Enlarged Group will generally not be exclusive. As a result, competitors have similar permits, concessions, registrations, licences, systems and provide services in areas in which Vodafone Spain holds, and if the Acquisition is completed, the Enlarged Group will hold relevant permits, concessions, registrations and licences.

Vodafone Spain and, following Completion, the Enlarged Group cannot be certain that it will be able to obtain the required permits, concessions, licences, registrations or agreements or continue to satisfy the relevant requirements at the relevant review period or that renewal or continuation of these agreements will be possible or on similar or commercially viable terms or at all. Failure to obtain or the loss of one or more permits, concessions, licences, registrations or agreements may affect the ability of Vodafone Spain and, following Completion, the Enlarged Group to offer its services in the ordinary course of business, which could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.5 *Vodafone Spain operates in a highly competitive industry*

The Spanish telecommunications fixed-line, mobile, TV and digital markets are highly competitive and may become more competitive in the future. Vodafone Spain faces significant competition from established, new and potential competitors that provide traditional telecommunications services, Over-The-Top content streaming ("**OTT**") or alternative wireless internet services in Spain who seek to offer converged services comprised of mix of fixed and Mobile voice services, internet and video broadcast services as well as emerging and disruptive technologies (see also risk factor B.2 (*Vodafone Spain may not be able to obtain or renew permits, concessions, licences or other agreements it relies on to operate its business on equally favourable terms or at all*) and B.12 (*Vodafone Spain's business is subject to rapid and significant change in technology and, if it fails to introduce new or enhanced products and services successfully, Vodafone Spain's and, following Completion, the Enlarged Group's revenues and margins could be lower than expected*) in this section B of Part II (*Risk Factors*) of this Prospectus). Vodafone Spain's success in this marketplace is affected by the actions of its competitors. In some instances, Vodafone

Spain competes against companies with various advantages, including larger financial resources, greater personnel resources, wider geographical coverage, ability to offer different converged services and more established relationships and content providers.

As a consequence of the telecommunications and mobile markets reaching saturation in certain of the most populated regions in Spain, there are a limited number of new subscribers entering the market in these regions. In order to maintain the Vodafone Spain subscriber base and market share in those regions, Vodafone Spain is dependent on attracting a portion of its competitors' existing subscribers, which intensifies the competitive pressures and which has resulted historically in generally declining average revenue per user ("**ARPU**") across the industry.

To continue to compete now and in the future effectively, Vodafone Spain will need to continue to successfully design and market its services, and anticipate and respond to various competitive factors affecting its markets, such as the introduction of new products and services by its competitors, pricing strategies adopted by its competitors (including buying market share by pushing customers to non-premium brands) based on large price discounts that generally affect all operators in the market, changes in consumer preferences and general economic and social conditions. The launch of such value-conscious telecommunications services has triggered generally declining ARPU across the industry and has resulted in a shift to converged services.

If Vodafone Spain is unable to continue to compete effectively with its current and any potential future competitors or effectively anticipate or respond to consumer sentiment, it could lose existing and potential customers or see a reduction in ARPU, which could result in reduced market share, revenue, and operating margins with its financial performance falling substantially short of current expectations as a result. Any of these factors could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations following Completion.

B.6 *Vodafone Spain and, following Completion, the Enlarged Group will rely on network sharing agreements to provide its services and depend upon other third-parties to access and maintain certain parts of its infrastructure*

Vodafone Spain is and, following Completion, the Enlarged Group will be, dependent on various third-parties in order to provide its services in Spain. For example, Vodafone Spain has entered into certain agreements, with Orange Spain in 2018 in relation to the shared use of infrastructure and/or repeater equipment on certain Alta Velocidad Española ("**AVE**") lines and also in 2019 in relation to the sharing of their respective radio access networks across certain frequency bands and in the 2G, 3G, 4G and 5G technologies, and with Telefónica de España, S.A.U. ("**Telefónica España**") in 2017 (as amended in 2017, 2019 and 2020) in relation to the provision by Telefónica España of indirect access to broadband services and with Telefónica Móviles España, S.A. ("**Telefónica Móviles**") and Orange Spain in 2017 for the provision of transmission services and/or repeater equipment on certain AVE lines.

The agreements entered into by Vodafone Spain include deployment and maintenance undertakings provided by both the counterparty and Vodafone Spain in relation to the establishment of specific numbers of sites and the maintenance of the relevant lines. Vodafone Spain will therefore be reliant on third parties to invest in the maintenance and growth of their networks and to provide a reliable and high-quality service. Should the third parties fail, for any reason, to proceed with such development, or should such development be delayed, it could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

Vodafone Spain and, following Completion, the Enlarged Group, will have limited or no control over the quality and consistency of the services that are supplied to it by third parties. Any deterioration in the provision of such services, a failure of any of these parties to perform their obligations under the agreements or Vodafone Spain's or the Enlarged Group's inability to extend any of the agreements on favourable terms or at all could negatively impact the scale and quality of the services that can be provided to its customers, which would have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.7 *Change of control provisions may be triggered upon Completion*

Vodafone Spain is party to contracts, agreements and instruments that contain change of control provisions and may be triggered upon Completion. These agreements include, but are not limited to, the network sharing agreements referred to in risk factor B.3 (*Vodafone Spain and, following Completion, the Enlarged Group will rely on network sharing agreements to provide its services and depend upon other third-parties to access and maintain certain parts of its infrastructure*) in this section B of Part II

(*Risk Factors*) of this Prospectus), cloud services agreements, interconnection agreements, agreements with key suppliers, customer agreements and content agreements. Agreements with change of control provisions typically provide for, or permit the termination of, the agreement upon the occurrence of a change of control of one of the parties. Completion is not subject to obtaining the change of control waivers and while the Directors believe the counter parties to these agreements will consent to waiving the relevant change of control provisions, there can be no assurance Vodafone Spain will be able to obtain such waivers in all such circumstances. In absence of these waivers, the operation of the change of control provisions, if any, could result in the loss of significant contractual rights and benefits, the termination of significant agreements or the potential payment of termination fees which could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.8 ***Vodafone Spain is subject to anti-trust regulations which may affect its business and its ability to undertake certain corporate transactions***

Vodafone Spain is subject to anti-trust rules and regulations and is, from time to time, subject to review by authorities that monitor monopoly power in any of the markets in which it operates. Regulatory authorities may, if Vodafone Spain is deemed to be exhibiting anti-competitive market power, impose certain obligations such as granting third-parties access to Vodafone Spain's bandwidth, frequency capacity, facilities or services to distribute their own services or resell Vodafone Spain's services to end-customers. No assurance can be given that Vodafone Spain will not be identified as having anti-competitive market power in any relevant markets in the future (under current or proposed Spanish or European legislation) and that it will not be subject to additional regulatory requirements.

In addition, regulatory bodies may impose certain conditions on Vodafone Spain (and other participants in the industry including as part of the Orange/MásMóvil merger) in connection with ongoing investigations or decisions in relation to corporate transactions, such as mergers, acquisitions or sales, that Vodafone Spain or other industry participants may wish to undertake (for example, Vodafone Spain's business could be adversely affected by any remedies announced by the European Commission in respect of the announced Orange and MásMóvil merger if, for instance, the European Commission made an order that benefitted smaller operators) (see also risk B.7 (*Vodafone Spain's business may be affected by the process of consolidation in the telecommunications industry in Spain.*) in this section B of Part II (*Risk Factors*) of this Prospectus).

Any of these factors could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.9 ***Some of Vodafone Spain's employees are unionised and subject to collective bargaining agreements*, *failure to sustain a good working relationship with employee representatives, including workers' unions, could harm the business of Vodafone Spain and, following Completion, the Enlarged Group***

Some of Vodafone Spain's employees are members of various trade unions and adhere to collective bargaining agreements, and thus, Vodafone Spain is and, following Completion, the Enlarged Group will be exposed to the risk of strikes and other industrial actions. There can be no guarantee that the Acquisition will not adversely affect Vodafone Spain's relationship with its employees. When current collective agreements expire or agreements must be re-negotiated Vodafone Spain and, following Completion, the Enlarged Group may not be able to conclude new agreements on terms and conditions that it considers to be reasonable, or without work stoppages, strikes or similar industrial action. The collective bargaining agreement that applies to Vodafone Spain imposes certain obligations and restrictions under Spanish law on Vodafone Spain that may adversely affect its flexibility to undertake adjustments to its workforce, restructurings, reorganisations and similar corporate actions in a timely manner or at all. Moreover, any restructuring or re-organisational measures that Vodafone Spain succeeds in carrying out may strain relations with employees and their representatives. This may in turn make it more difficult for Vodafone Spain and, following Completion, the Enlarged Group to subsequently negotiate, renew or extend collective agreements in a favourable and timely manner. Such actions, and the negotiation of new collective bargaining agreements, could result in delays in Vodafone Spain's and, following Completion, the Enlarged Group's ability to serve its customers in a timely manner or disrupt Vodafone Spain's and, following Completion, the Enlarged Group's operations and make it more costly to operate Vodafone Spain's and, following Completion, the Enlarged Group's business, any of which could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, financial condition, results of operation and prospects.

B.10 ***Nearly all of Vodafone Spain's business is concentrated in Spain and its growth prospects depend on demand for consumer and business telecommunications services, which is difficult to predict and may be negatively impacted by worsening economic conditions in the Spanish economy***

Vodafone Spain's business operates predominantly in the Spanish market and its success is therefore closely tied to general political and economic developments in Spain, which cannot be offset by other markets. Negative developments in the Spanish economy, in particular current inflationary pressures, and may have a direct adverse impact on the spending patterns of retail consumers, both in terms of the product or products as part of a converged service they subscribe for and their usage levels. Current political instability and uncertainty at the national and regional levels may affect Spain's ability to access European and international financial markets and/ or cause an increase in the costs of financing effecting the execution of future growth plans which may impact Vodafone Spain's business.

Vodafone Spain has benefited from the increased use of telecommunications products in Spain in recent years, and its future growth and profitability depend in part on demand for these services in the coming years. For example, fixed-line, mobile, TV and digital market services are all an important part of Vodafone Spain's and, following Completion, the Enlarged Group's strategy and, if one of its services no longer appeals to its customers, they may discontinue using Vodafone Spain's converged or stand-alone services altogether. Predicting changes in demand for different services is inherently difficult, and if demand for bundled services does not increase as expected due to customer behaviours changing, worsening economic conditions, or for other reasons, it could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, financial condition and results of operations.

Further, like the other operators in the industry, Vodafone Spain bases part of its strategy for attracting and retaining customers on mobile phone financing, this financing is completed using internal resources and the receivables sold to a third party annually. If worsening economic conditions impact customers' ability to access mobile phone financing, or make this more costly, customers may be unable or unwilling to finance the purchase of handsets and other hardware from Vodafone Spain and so may delay their purchase of Vodafone Spain's products or services, which could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, financial condition and results of operations.

In addition, Vodafone Spain derives a substantial portion of its revenues from consumer, small and medium-sized enterprise ("**SME**") and small office/home office ("**SOHO**") customers, and therefore demand for its telecommunications services may be impacted in the event of deterioration of the economic conditions in Spain, in particular the potential ongoing impact of inflation on discretionary consumer spending and operating costs. If general economic conditions were to worsen or unemployment levels were to increase, it may be: (i) more difficult to attract and retain new and existing subscribers due to, amongst other things, financing constraints; (ii) more likely that existing customers downgrade or disconnect their services; (iii) more difficult to maintain ARPU at existing levels; and (iv) more difficult to expand into the public administration and corporate client segments. Furthermore, a deterioration in economic conditions could lead to a higher number of non-paying customers, a reduction in ARPU or generally result in service disconnections. As a result, any deterioration of the Spanish economy, including increases in unemployment rates, could result in declines in Vodafone Spain's and, following Completion, the Enlarged Group's revenue without a corresponding decrease in costs, which could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.11 ***Vodafone Spain relies on third party suppliers and licensors to supply services OTT and PayTV services***

Vodafone Spain relies on a small group of suppliers and licensors to supply its OTT services including PayTV services to its customers, which are mainly offered as a packaged deal to broadband customers. Vodafone Spain's suppliers often conduct business worldwide and their ability to meet Vodafone Spain's needs is subject to various risks, including political and economic instability, natural calamities, interruptions in production and supply chain systems, terrorism, labour issues (including actor and or writer labour disputes) and pandemics (such as COVID-19). Any shortfall in services from third party suppliers could lead to delays in connecting customers to Vodafone Spain's bundled services, and accordingly, could adversely impact Vodafone Spain's ability to retain customers or increase its revenue and cash flows. Also, if Vodafone Spain's suppliers and licensors experience financial difficulties and are unable to supply services, including television programming, the ability of Vodafone Spain's businesses to provide quality PayTV bundled services may be materially adversely affected, which in turn could affect Vodafone Spain's ability to attract and retain customers. Any of these factors could have a material adverse effect on the

Enlarged Group's business, prospects, financial condition and results of operations following Completion.

Additionally, Vodafone Spain engages in negotiating and renegotiating service agreements and Vodafone Spain's annual costs for programming can vary. There can be no assurance that Vodafone Spain will be able to renegotiate or renew the terms of its service agreements on acceptable terms or at all. Vodafone Spain expects that service costs, including programming and copyright costs, will continue to rise in future periods as a result of, among other factors, higher costs associated with the expansion of product offerings, re-transmission or copyright fees payable to public broadcasters. These could lead to a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.12 ***Vodafone Spain may not be successful at entering new businesses or broadening the scope of its existing product and service offerings***

Vodafone Spain may have recently or, following Completion, the Enlarged Group, may expand or enter into new businesses that are adjacent or complementary to the existing Vodafone Spain businesses that broaden the scope of its existing product and service offerings. For example, including but not limited to: the Company's plans to continue to drive growth in the value segment brands offered by Vodafone Spain of Lowi and Finetwork including extensions of their 5G and OTT content streaming services and has recently begun to offer energy products to its customers; and wholesale relationships. The Enlarged Group may not achieve its expected growth or return on its capital expenditure if it is not successful in these efforts due to, amongst other things, incumbent wholesale relationships. In addition, entering into new businesses and broadening the scope of Vodafone Spain's existing product and service offerings may require significant upfront expenditures that may not be able to be recovered which could affect the Zegona Group's strategy to implement cost-savings for the Enlarged Group. These efforts may also divert Vodafone Spain's and, following Completion, the Enlarged Group's implementation of headcount reductions envisaged by the Company, the Enlarged Group's management and employee's attention and expose it to new risks and regulations. Any of these factors may have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.13 ***Vodafone Spain's business is subject to rapid and significant change in technology and, if it fails to introduce new or enhanced products and services successfully, Vodafone Spain's and, following Completion, the Enlarged Group's revenues and margins could be lower than expected***

The fixed-line and mobile telecommunications markets are characterised by rapid and significant changes in technology. The effect of future technological changes on Vodafone Spain's business cannot be predicted. It is possible that products or other technological breakthroughs, such as 6G and metaverse technology, may result in Vodafone Spain's core offerings becoming less competitive or a saturation of current underlying networks and render its existing products and services obsolete or require additional investment to address capacity constraints (for example, if Vodafone Spain underestimates the evolution of network usage due to the speed of adoption of technological breakthroughs such as metaverse technology). There can be no guarantee that Vodafone Spain will successfully anticipate the demands of the marketplace with regard to new technologies or that it can make the necessary investments to develop such technology. Furthermore, any of the new or enhanced products or services that Vodafone Spain introduces may not perform as expected or products or services introduced by Vodafone Spain's competitors may be more appealing to customers. Any failure by Vodafone Spain to successfully implement new technologies could adversely affect Vodafone Spain's ability to attract and retain customers and generate revenue growth, which in turn could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, financial condition and results of operations.

Conversely, Vodafone Spain may overestimate the demand in the marketplace for certain new technologies and services. If any new technology or service Vodafone Spain introduces fails to achieve market acceptance, its revenue, margins and cash flows may also be adversely affected, and as a result it may not recover any investment made to deploy such new technology, which in turn could have a material adverse effect on its business, financial condition and results of operations, which in turn would adversely affect Vodafone Spain's and, following Completion, the Enlarged Group's business, financial condition and results of operations.

Vodafone Spain's future success depends in part on its ability to anticipate and adapt in a timely manner to technological changes. This may require Vodafone Spain to invest further in its existing operations or in new technologies in order to compete effectively with its competitors. Vodafone Spain may not be able to obtain the funding or other resources required to adopt and deploy such new technology in a timely manner, which in turn could have a material adverse effect on Vodafone Spain's and, following Completion, Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

In addition, Vodafone Spain and, following Completion, the Enlarged Group may not receive the necessary permits, concessions, licences or agreements to provide services based on these new technologies in the relevant markets or Vodafone Spain and, following Completion, the Enlarged Group may be negatively impacted by unfavourable regulation regarding the usage of these technologies. In particular, the implementation and deployment of new technologies may require additional or alternative spectrum to be able to be used effectively or at all. See risk factor B.2 (Vodafone *Spain may not be able to obtain or renew permits, concessions, licences or other agreements it relies on to operate its business on equally favourable terms or at all*) and B.6 (*Vodafone Spain operates in a highly competitive industry*) in this section B of Part II (*Risk Factors*) of this Prospectus for more details.

If Vodafone Spain and, following Completion, the Enlarged Group is unable to effectively anticipate, react to or access technological changes in the telecommunications market or to otherwise compete effectively, it could lose subscribers, fail to attract new subscribers or incur substantial costs and investments to maintain its subscriber base, all of which could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, financial condition and results of operations.

Vodafone Spain and, following Completion, the Enlarged Group may also be required to incur additional marketing and customer service costs in order to retain existing customers and attract them to any upgraded products and services, as well as to respond to competitors' advertising pressure, and potentially more extensive marketing campaigns, which may adversely affect its margins. Any of the above occurrences could have a material adverse impact on Vodafone Spain's and, following Completion, the Enlarged Group's business, financial condition and results of operations.

B.14 ***Vodafone Spain operates in a highly regulated market as a result of which it may be required to make additional expenditures or limit its revenue-making operations***

Vodafone Spain operates in a highly regulated market subject to the supervision of various regulatory bodies, including local, regional, national and European Union authorities. Changes in these regulations may increase Vodafone Spain's administrative and operational expenses or limit its ability to generate revenues. Vodafone Spain is subject to rules and/or regulations relating to, among other things:

- the interconnection between different networks and the interconnection rates that Vodafone Spain can charge and pay for fixed-line and mobile connections;
- the authorisation of renewals and transfers of customers;
- customer privacy and data protection and other consumer rights;
- intelligent network services;
- requirements to invest in content;
- the use of spectrum;
- access offered by mobile network operators ("**MNOs**") to mobile virtual network operator ("**MVNOs**");
- a variety of operational areas such as land use and environmental protection, technical standards and subscriber service requirements and legal interception obligations;
- significant market power and other restrictions relating to competition;
- audiovisual communication services;
- accessing content in the audiovisual market; and
- universal service obligations including the requirements of the National Universal Service Fund.

In addition, changes in other laws and regulations not directly related to Vodafone Spain's business may affect the Enlarged Group's business, prospects, financial condition and results of operations. For example, in March 2022, the Spanish Government approved Royal Decree-Law 7/2022, relating to requirements to guarantee 5G cybersecurity, which includes regulatory measures that prohibit or limit the market activity of entities deemed to be high risk. The scope and impact of any declaration that a supplier is high risk cannot be assessed at this stage but, if any declaration is made, it could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations. See also risk factor B.17 (*Vodafone Spain relies on third party suppliers*) of section B of this Part II (*Risk Factors*) of this Prospectus.

One of Vodafone Spain regulators, the National Commission for Markets and Competition ("**CNMC**"), is required to review both the retail and wholesale telecommunications markets in order to: (i) define relevant markets; (ii) determine whether there is effective competition or not; and (iii) identify operators with significant market power. As a result, it has imposed certain regulatory obligations on operators (for example notification and consent requirements in the event of a change of control), such as mobile and fixed-line companies.

Changes in applicable law, regulations, governing policy, or the interpretation and application of existing laws or regulations could adversely affect Vodafone Spain's business, financial condition and ability to introduce new products and services. Vodafone Spain's business could be adversely affected by any changes in laws or regulations or their interpretation regarding, for example, authorisation requirements, access and price regulation, interconnection arrangements or any change in policy allowing more favourable conditions for its competitors. Vodafone Spain's ability to introduce new products or services may also be affected if it cannot predict how existing or future laws and regulations or policies would apply to such products or services. For example, regulations relating to digital sovereignty and AI could impact Vodafone Spain's ability to offer services in this new area or make the provision of such services more costly.

Many of Vodafone Spain's suppliers, particularly content providers and suppliers of equipment and services, are also subject to extensive regulation, which could adversely impact their ability to satisfy their obligations to Vodafone Spain and thereby indirectly expose Vodafone Spain to additional risks if such suppliers are unable to fulfil their obligations to Vodafone Spain as a result of such regulation. These factors could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.15 ***Any negative impact on the reputation of and value associated with Vodafone Spain's brands could adversely affect its business***

A number of brands, including Vodafone and Lowi, among others, are important assets of Vodafone Spain's business developed through extensive marketing campaigns, website promotions, customer referrals, and the use of a dedicated sales force and dealer networks. Maintaining and enhancing the image and reputation of, and value associated with, these brands is central to the success of Vodafone Spain's business. The image and reputation of Vodafone Spain's brands, products and services may be adversely affected by several factors, including if concerns arise about (i) the quality, reliability and benefit/ cost balance of its products and services, (ii) the quality of its customer service and support, (iii) its ability to deliver the level of service advertised, including in relation to connectivity and network speeds, or (iv) public disagreements between Zegona Shareholders or otherwise, which in turn may adversely affect Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations. An event or series of events that threatens the reputation of one or more of Vodafone Spain's brands, or one or more of its products could have an adverse effect on the value of such brands or products and subsequent revenue therefrom. Restoring the image and reputation of Vodafone Spain's products and services may be costly and not always possible.

Further, pursuant to the BLA to be entered into between the members of the Enlarged Group and Vodafone Group following Completion, the reputation of the Vodafone Spain business will to some extent be tied to the reputation of Vodafone Group. Any material adverse impact to the reputation of the Vodafone Group could therefore have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations. For further information, please refer to risk factor A.5 (*The Enlarged Group will have an ongoing relationship with Vodafone Group following Completion and, as a result, the future state or actions of Vodafone Group or any successor of Vodafone Group could adversely affect the Enlarged Group*) in section A of Part II (*Risk Factors*) of this Prospectus.

B.16 ***Vodafone Spain relies on third party suppliers***

Vodafone Spain's business depends on third party equipment and service suppliers, including for network maintenance services, commercial dealing, customer service and the provision of certain network equipment, who may fail to provide necessary equipment and services on a timely basis, fail to provide the equipment and services to the agreed upon standard, discontinue their products or seek to charge prices that are not reasonable, any of which could have a material adverse effect on the Enlarged Group's business, prospects, financial condition or results of operations following Completion.

In particular, certain entities within Vodafone Spain's group are party to a number of agreements with Huawei in relation to maintenance services for the Vodafone Spain business' coaxial cable network. The Company understands that Huawei has communicated its intention to cease providing maintenance services in respect of the Vodafone Spain business' coaxial cable network, although no formal termination notice has been served. If Huawei ceases to provide or the regulatory environment in Spain changes to prohibit or restrict Huawei from providing such maintenance services (in particular, see risk factor B.14 (*Vodafone Spain operates in a highly regulated market as a result of which it may be required to make additional expenditures or limit its revenue-making operations*) of section B of this Part II (*Risk Factors*) of this Prospectus) and no alternative provider of such services is found or is unable to be engaged on commercially viable terms, it could have a material adverse effect on the Enlarged Group's business, prospects, financial condition or results of operations following Completion.

Vodafone Spain is dependent on third party suppliers for the provision of network infrastructure, network interconnection, equipment and associated services. The performance of equipment and services purchased from third party suppliers is not guaranteed to be error free or to ensure 100 per cent. service availability (and failures have occurred which have triggered service outages affecting Vodafone Spain's customers), and any such performance failures could adversely affect the level of service Vodafone Spain and, following Completion, the Enlarged Group, delivers to its customers.

Any breakdown or change in Vodafone Spain's relationships with its suppliers, any supplier declining to sell products or services to Vodafone Spain for any reason, any material changes in prices, any disruption to the supply of products or services to Vodafone Spain, any supplier having financial difficulties or going out of business and therefore not satisfying orders, or product liability claims relating to products supplied by third parties could have an adverse effect on Vodafone Spain and, following Completion, the Enlarged Group's business. Should Vodafone Spain be required to change a supplier it may be that the particular products or services provided are difficult and/or time consuming to replace or that Vodafone Spain has to incur additional costs in making the change or is unable to fully replicate the desired functionality. Any of these factors could have a material adverse effect on Vodafone Spain and, following Completion, Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.17 ***Health risks, whether real or perceived, or other problems connected with mobile devices or their base stations and other technologies used by Vodafone Spain, could result in less intensive use of mobile communications or other technologies***

Public perceptions of possible health risks associated with mobile communications technology, whether real or perceived, and the publicity they receive, together with any resulting legislation or litigation, could lead to a reduction in Vodafone Spain's number of customers, make the acquisition of new customers more difficult or incite customers to reduce their use of mobile telephones with a resulting reduction in Vodafone Spain's revenues or lead to an increase in operational costs to comply with new legislation and/or regulation. Such perceptions of health risks could also become linked to or associated with WiFi or other equipment, and if WiFi and/or mobile telephones become tarnished with such a reputation, Vodafone Spain could experience a material adverse effect on its business, prospects, financial condition and results of operations, which, in turn, could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations. Furthermore, Vodafone Spain's insurance with respect to the potential harm from electromagnetic radiation may not be sufficient to cover all or a substantial portion of any liability Vodafone Spain may face.

B.18 ***Unanticipated network interruptions and events beyond Vodafone Spain's control, including from natural disasters, may adversely affect its ability to deliver its products and services***

Vodafone Spain's business depends on the continued and uninterrupted performance of the Vodafone Spain Fixed BB and mobile networks as well as its Master Services Agreement with Vantage Towers, its mobile network sharing agreement with Orange and its fixed network access agreements with Orange, Adamo, MásMóvil and Telefónica to reach a wider customer base. Vodafone Spain's agreement with Orange helps provide Vodafone Spain with network efficiencies and faster deployment of 5G. System, network, hardware and software failures may occur and affect the quality of, or cause an unexpected interruption in, Vodafone Spain's service. Such failures could result in costly repairs and affect customer satisfaction, thereby reducing Vodafone Spain's customer base and revenues and damaging Vodafone Spain's brand image.

Moreover, if any part of Vodafone Spain's network or system infrastructure is affected by flood, fire or other natural disasters, computer viruses, cyberattack, terrorism, power loss, the impact of any government imposed restrictions as a result of any pandemic (including COVID-19) or other unforeseen events, it could result in reduced user traffic and revenue, regulatory penalties and/or penal sanctions or damages or require unanticipated capital expenditures. Vodafone Spain's disaster recovery, security and service continuity and protection measures may not be sufficient to prevent loss of data or prolonged network downtime. Furthermore, Vodafone Spain's insurance may not cover all or part of any loss suffered as a result of such circumstances (see risk factor B.25 (*Vodafone Spain may incur liabilities that are not covered by insurance*) in this section B of Part II (*Risk Factors*) of this Prospectus).

In addition, Vodafone Spain's business depends on certain sophisticated critical systems, including Vodafone Spain's network operating centre and billing and customer service systems. The hardware supporting those systems is housed in a relatively small number of locations and if access were to be restricted, or damage were to occur, to any of these locations or if those systems develop other problems due to a change in their location, there could be a material adverse effect on Vodafone Spain's business. Any significant interruptions in providing services could negatively impact Vodafone Spain's reputation and consequently impair its ability to obtain and retain customers which could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.19 ***The operation of Vodafone Spain's business is dependent on licensed technology and subject to illegal piracy risks***

Vodafone Spain operates systems to transmit encrypted digital programmes and services, including content over Vodafone Spain's mobile and fixed access digital television platform. Vodafone Spain's billing and revenue generation for Vodafone Spain's services also relies on the proper functioning of such conditional access systems. While Vodafone Spain has systems in place to protect it from the risk of illegal piracy, there can be no assurance that such systems always function as intended. There is a risk that Vodafone Spain will not be able to successfully eliminate the piracy currently faced or that Vodafone Spain may face in the future. In addition, there can be no assurances that any new conditional access system security that Vodafone Spain may put in place will not be circumvented. Encryption failures could result in liability under the contractual arrangements with the content providers, lower revenues, higher costs and increased PayTV subscriber churn or otherwise have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.20 ***Vodafone Spain's business may be adversely affected if there is unauthorised access to, or disclosure of, personal data***

In the ordinary course of business, Vodafone Spain receives, stores, hosts, analyses, transmits and secures large volumes of personal data including but not limited to personally identifiable information, commercial and financial data. The telecommunications industry is often a target of cyberattacks by third parties seeking unauthorised access to business information or customers' information or seeking to disrupt the relevant entity's ability to provide a service. Computer malware, viruses, social engineering (predominantly phishing attacks) and general hacking have become more prevalent in recent years leading to certain high-profile security breaches. Cybersecurity attacks, such as phishing emails, have been attempted on Vodafone Spain's systems in the past, and are expected to be attempted on its systems in the future. Furthermore, Vodafone Spain's people could improperly or accidentally use or disclose confidential information provided by its customers or otherwise allow or participate in a security breach. Moreover, while Vodafone Spain maintains security at its physical premises, there is no guarantee that such security will be fully effective at preventing physical security breaches. The increased use of mobile technologies and remote working can heighten these and other operational risks.

If a successful cyberattack or other security breach were to occur, Vodafone Spain's confidential or proprietary information, or the confidential or proprietary information of its customers, that is stored in, or transmitted through, Vodafone Spain's information systems or its network could be compromised or misappropriated. Any such cyberattack or other security breach, or any disruption of or failure in the physical or digital infrastructure or operating systems that support Vodafone Spain's information systems or its business, could significantly impact Vodafone Spain's and, following Completion, the Enlarged Group's ability to operate its business and could result in significant reputational damage for Vodafone Spain and, following Completion, the Enlarged Group and/or its customers, legal liability, the loss of customers or business opportunities and financial losses to the extent that such losses are either not insured against or not fully covered through any insurance maintained by Vodafone Spain and, following Completion, the Enlarged Group.

Furthermore, in the course of providing services to customers, Vodafone Spain provides limited information to certain third parties, based on their scope of services, which such third parties may process or store. If these third parties fail to adopt or adhere to adequate data security practices, or in the event of a breach of their networks, Vodafone Spain's information or its customers' information could be improperly accessed, used or disclosed.

Vodafone Spain relies on licensed encryption and authentication technology to ensure the secure transmission of the personal data that it receives from its customers. There can be no assurance that Vodafone Spain's systems and processes designed to protect its and its customers' information, to prevent information loss and to prevent or detect security breaches will provide absolute security. As cyber threats multiply, become more sophisticated and threaten additional aspects of Vodafone Spain's and, following Completion, the Enlarged Group's business, it may also be required to expend additional resources on information security and compliance costs in order to continue to modify or enhance its protective measures or to investigate and remediate any information security vulnerabilities or other exposures.

Any cyberattack or other security breach, or any disruption of or failure in the physical or digital infrastructure or operating systems that support Vodafone Spain's and, following Completion, the Enlarged Group's ability to operate its business could result in significant reputational damage for Vodafone Spain and, following Completion, the Enlarged Group, legal liability, loss of customers or business opportunities and financial losses to the extent that such losses are either not insured against or not fully covered through any insurance maintained by Vodafone Spain and, following Completion, the Enlarged Group.

Any of these events could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.21 ***Vodafone Spain is subject to regulatory requirements with respect to the protection of personal data and data security***

In the ordinary course of our business, Vodafone Spain collects and processes personal data. In the EU, Vodafone Spain is subject to stringent regulations relating to the processing of (including the transfer and storage) personal data, including, in particular, the General Data Protection Regulation EU 2016/679 (the "**GDPR**") and, in Spain, Organic Law 3/2018 on Protection of Personal Data and Guarantee of Digital Rights, which deals with the domestic implications of the GDPR in Spain. The GDPR has been directly applicable in all Member States since 25 May 2018. The GDPR significantly changes the EU/EEA data protection landscape, including strengthening of individuals' rights, stricter requirements on companies processing personal data and stricter sanctions with substantial administrative fines of up to €20 million, or up to 4 per cent. of total worldwide annual turnover for the preceding financial year, whichever is higher. The Vodafone Spain group has previously been subject to administrative fines imposed by the Spanish Data Protection Agency for breaches of the GDPR.

In addition, the Privacy and Electronic Communications Directive 2002/58/EC (the "**e-Privacy Directive**") sets out more specific privacy rights on electronic communications. It includes rules relating to marketing by electronic means (including marketing calls, texts and emails) and the use of cookies and similar technologies. It has been implemented into Spanish law by (among others) Spanish Law 34/2002 on information society services and electronic commerce and Law 9/2014 on Telecoms. The European Commission has proposed enhanced regulations concerning privacy and electronic communications (the "**e-Privacy Regulation**"), which would entail additional and stricter rules in respect of the use of personal data from electronic communications. The e-Privacy Regulation would establish fines similar to those included in GDPR. These regulations may affect the development of innovative services that would draw on consumer data, potentially creating a competitive disadvantage for undertakings subject to both the GDPR and the e-Privacy Regulation.

Regardless of the measures Vodafone Spain adopts to protect the confidentiality and security of data, the risk of possible attacks or breaches of data processing systems remains, which could harm Vodafone Spain's reputation and give rise to fines and damages claims. In addition, Vodafone Spain could incur additional costs in order to protect against these risks and/or to mitigate the consequences thereof, which could in turn have a material adverse impact on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations. Furthermore, any loss of confidence on the part of Vodafone Spain's customers as a result of such events could lead to a significant decline in sales and have a material adverse impact on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.22 ***Disruption, failure, cost to establish and ongoing management of core IT systems may adversely affect Vodafone Spain's financial performance***

Vodafone Spain's business is dependent on the capacity and reliability of the IT systems that support its operations. These IT systems can be expensive to upgrade or maintain and are subject to performance degradation or failure for reasons within or outside the control of direct suppliers. There can be no assurance that new IT approaches or upgraded IT systems will perform as expected or will result in reduced spending for Vodafone Spain. Any disruption or failure of current, or new, IT systems on which Vodafone Spain relies could have a material adverse effect on its ability to deliver services to clients and may lead to direct or indirect financial losses and loss of clients. Further, following Completion the Enlarged Group will rely on Vodafone Group for the provision of certain transitional and long-term services pursuant to the Intercompany Agreements, which will include certain IT services. Following expiry of the Intercompany Agreements, the Enlarged Group will need to source such IT services from third parties or provide them internally. However, the Enlarged Group may not be entirely successful sourcing these IT services, which may incur higher implementation and running costs than the current arrangements. Any failure to avoid operational interruptions during the implementation of new IT services, or any failure to implement such new services, could disrupt the Enlarged Group's business and lead to liability towards third parties. For further information on the Intercompany Agreements, please refer to risk factor A.2 (*For a period of time following Completion, the Enlarged Group will be reliant on the Vodafone Group for the provision of certain services and any disruption to such services could be costly and materially and adversely affect the Enlarged Group's business, results of operations, financial conditions and prospects*) in section A of Part II (*Risk Factors*) of this Prospectus. Any of these factors could have a material adverse effect on Vodafone Spain's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.23 ***Vodafone Spain and, following Completion, the Enlarged Group is subject to risks from legal and arbitration proceedings***

Vodafone Spain is currently and, following Completion, the Enlarged Group may in the future become involved in commercial disputes, as well as legal and arbitration proceedings, with public authorities or private entities, which involve claims for damages or other sanctions, for example arising out of dealer contracts entered into by Vodafone Spain or any other member of the Enlarged Group and administrative disputes related to sectoral and municipal taxes which may occur from time to time.

In the event of a negative outcome of any material proceedings, whether based on a judgement or a settlement agreement, Vodafone Spain and, following Completion, the Enlarged Group could also be forced to make substantial payments or accept other sanctions, which could adversely affect Vodafone Spain and, following Completion, the Enlarged Group's reputation, business, prospects, financial condition and results of operations. In addition, the costs related to litigation and arbitration proceedings may be significant, they may exceed any provisions made by Vodafone Spain or, following Completion the Enlarged Group, to cover the costs which could have a material adverse effect on Vodafone Spain and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.24 ***Environmental and health regulations impose additional obligations and subject Vodafone Spain to potential liability***

Vodafone Spain is subject to various environmental and health and safety laws and regulations concerning issues such as damage caused by electro-magnetic radiation and working with electricity. These laws can impose liability for noncompliance, are increasingly stringent and may in the future create substantial compliance liabilities and costs. While Vodafone Spain and, following Completion, the Enlarged Group intends to comply with applicable environmental and health and safety regulations, it is possible that such compliance may prove to be costly. In addition, Vodafone Spain and, following Completion, the Enlarged Group may become subject to monetary fines and penalties for violation of applicable laws, regulations or administrative orders which could result in the closure or temporary suspension of, or adverse restrictions on, its operations. Vodafone Spain and, following Completion, the Enlarged Group may also, in the future, become involved in proceedings with various environmental authorities that may require Vodafone Spain and, following Completion, the Enlarged Group to pay fines, comply with more rigorous standards or other requirements or incur capital and operating expenses for environmental compliance. Third parties may also sue Vodafone Spain and, following Completion, the Enlarged Group for damages and costs resulting from such damage. Although Vodafone Spain is currently not subject to any material litigation in respect of environmental or health and safety regulations, there can be no assurance that breaches of such regulations have not occurred or will not occur or be identified or that these regulations will not change in the future in a manner that could have a material impact on Vodafone Spain's and, following Completion, the Enlarged Group's business. Any such challenge filed with the competent authorities may prevent or delay the construction or operation of a site. The occurrence of any of the events described above could have a material adverse effect on Vodafone Spain and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

B.25 *Vodafone Spain may incur liabilities that are not covered by insurance*

Vodafone Spain does and, following Completion, the Enlarged Group will, maintain insurance for some, but not all, of the potential risks and liabilities associated with its business. As a result of market conditions, premiums and deductibles for insurance policies can increase substantially, and in some instances, certain insurance policies may no longer be available, may be available but not economically viable relative to the liability to be insured against or may be available only for reduced amounts of coverage. While Vodafone Spain does and, following Completion, the Enlarged Group will maintain insurance in amounts the Directors believe to be appropriate against risks commonly insured against in the industry, there can be no guarantee that all such risks are covered by insurance or that Vodafone Spain and, following Completion, the Enlarged Group will be able to obtain the levels of cover desired on acceptable terms in the future. In addition, even with such insurance in place, the risk remains that Vodafone Spain and, following Completion, the Enlarged Group may incur liabilities which exceed the limits of the insurance cover or are not covered by it at all. Should such a situation arise, it could have a material adverse effect on Vodafone Spain and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

C. Risks Related to the Business and Operations of the Zegona Group

C.1 *Zegona may not be able to create attractive shareholder returns in line with its strategy*

Zegona has set out its objective of investing in strategically sound businesses within the European TMT sector that require active change and improving their performance to deliver attractive shareholder returns, primarily through appreciation in the value of Zegona's assets. Any potential asset sale or business sale is dependent on finding suitable buyers for Zegona's investments who are willing and able to complete an acquisition on favourable terms for Zegona. There is no certainty that such buyers will exist when Zegona is looking to sell the assets or businesses or that Zegona will be able to identify and attract them. There is also no certainty that any buyer will be willing and able to enter into a transaction on terms which Zegona considers attractive and is willing to accept to deliver the desired shareholder returns. If such terms cannot be agreed, Zegona may be unwilling or unable to sell the acquired asset or business, and the level and timing of returns to Zegona and Zegona Shareholders may be adversely impacted, which could have a material adverse effect on Zegona's business, financial condition and results of operations.

C.2 *The Zegona Group is subject to risks from legal and arbitration proceedings*

The Zegona Group may in the future become involved in commercial disputes as well as legal and arbitration proceedings, with public authorities or private entities, which involve claims for damages or other sanctions, for instance arising out of acquisitions, which may include the Acquisition, or other material contracts entered into by it or any member of Zegona.

In the event of a negative outcome of any material proceedings, whether based on a judgment or a settlement agreement, the Zegona Group could also be forced to make substantial payments or accept other sanctions, and the costs related to litigation and arbitration proceedings may be significant, any of which could have a material adverse effect on Zegona's business, financial condition and results of operations.

D. Risks Relating to the Proposed Transaction

D.1 *The Acquisition is subject to a number of conditions, including Zegona Shareholder approval being granted for the Conditional Subscription, which may not be satisfied or waived which may result in Completion not occurring or being materially delayed*

Completion is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including, amongst other things, the approval of the Council of Ministers (*Consejo de Ministros*) of the Spanish Government in respect of foreign direct investment into Spain, the approval of the Spanish Competition Authority (*Comisión Nacional de los Mercados y la Competencia*) in respect of Spanish merger control, the approval of the Spanish Secretariat under the Ministry of Economic Affairs and Digital Transformation of the transfer of relevant concessions for the private use of the public radioelectric domain, the European Commission issuing a decision (or having been deemed to issue) in respect of the EU Foreign Subsidies Regulation (Regulation (EU) 2022/2560) and Zegona Shareholder approval being granted for (i) the allotment and issue of the New Zegona Shares in the Conditional Subscription, (ii) the Rule 9 Waiver, and

(iii) the entry into and performance of the Buyback Agreement. The Acquisition is not conditional on the Placing or the PrimaryBid Offer and therefore Completion could occur without the Placing or the PrimaryBid Offer completing, and the Company would fund the consideration payable for the Acquisition entirely using the New Facilities and the proceeds of the Conditional Subscription. In such circumstances where the Company would not satisfy the requirements of Listing Rule 14.2.2(3) to have at least 10 per cent. of the Zegona Shares in public hands on Completion, the Company would notify the market of its intention to cancel its listing in accordance with Listing Rule 5.2.8.

The Company and the Buyer have each agreed to take any and all actions as may be necessary or advisable to satisfy each regulatory condition as soon as reasonably practicable, and the Company has agreed to use all reasonable endeavours to satisfy the shareholder approval condition as soon as possible, after signing the Acquisition Agreement, but there can be no assurance that these conditions will be satisfied (or waived, if applicable) either at or before the date which is nine months after the date of the Acquisition Agreement or (at the election of the Buyer upon written notice to the Seller) the date falling nine months after the date of the Acquisition Agreement (the "**Long Stop Date**"), in which case the Acquisition may not be completed. No assurance can be given that all necessary approvals, clearances or conditions will be obtained, satisfied or waived and that Completion will take place. In particular, it cannot be guaranteed that the Zegona Shareholders will grant authority for the allotment and issue of New Zegona Shares in the Conditional Subscription. If the Acquisition does not complete, the Company would nonetheless have incurred up to an estimated £6 million of costs (primarily due diligence, advisory and financing fees) in connection with the Acquisition and the Offer, which could inhibit the Zegona Group's ability to undertake other transactions.

Further, the Zegona Group's reputation could be adversely impacted if it fails to complete the Acquisition which could inhibit the Zegona Group's ability to undertake further acquisitions. Failure to complete the Acquisition may materially adversely affect the business and financial condition of the Zegona Group and, accordingly, the Zegona Group's operating results and the trading price of the Zegona Shares.

D.2 ***Vodafone Spain may not perform in line with expectations prior to Completion***

The anticipated benefits and operational efficiencies to be created by the Acquisition are based on assumptions regarding, amongst other things, the financial and operational performance of Vodafone Spain, including in the period prior to Completion, when the financial and operational performance of Vodafone Spain is outside the control of the Company. Until Completion, it is possible that an adverse event, or events, including but not limited to the current inflationary environment or political instability in Spain or in the telecommunications market could affect the financial or operational performance of Vodafone Spain. Further, whilst the Company has, through the Acquisition Agreement, put in place customary contractual provisions relating to the conduct of the Vodafone Group's business in the period prior to Completion, there can be no guarantee that these contractual provisions will result in Vodafone Spain performing in line with expectations. If any of these events were to occur, the value of Vodafone Spain may be less than the consideration paid by the Company and, accordingly, the net assets of the Enlarged Group following Completion could be reduced. This could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

D.3 ***The Placing is not conditional on Completion and if Completion does not occur, the net proceeds of the Placing may be retained by the Company***

The Placing is not conditional on Completion and may therefore complete while the Acquisition does not. In such circumstances, the Directors' current intention is that, they may seek to undertake other transactions that the Directors consider (having sought Zegona Shareholder approval) appropriate.

If the Zegona Group is unable to identify uses for the net proceeds of the Placing received by the Company at Admission which the Directors consider (having consulted with Zegona Shareholders) to be appropriate then the Company may seek to return some of the net proceeds of the Placing to Zegona Shareholders, at which point the Directors will evaluate how best, in their view, to execute such return of capital, having regard to applicable legal requirements and the Company's ongoing funding position. However, there can be no guarantee that such proceeds will be returned to Zegona Shareholders in a timely manner or at all. Additionally, the Company has incurred and will incur costs and expenses in connection with the Placing and the Acquisition, which will diminish the available proceeds to return to Zegona Shareholders.

If Completion does not occur but the Placing has occurred, the Company will also have issued 523,240,603 New Zegona Shares to Newco in connection with the Conditional Subscription and Relationship Agreement. In such circumstances, the Company proposes, subject to the Company giving six months' notice to its Shareholders, to buy-back those New Zegona Shares in accordance with the terms of the

Buyback Agreement in exchange for the set-off of the promissory note issued by Newco to the Company in respect of the issue of €900 million of New Zegona Shares pursuant to the Conditional Subscription (assuming the Placing completes).

D.4 *Material facts or circumstances may not be revealed in due diligence process*

The Company has had access to and conducted such due diligence as it deems reasonably practicable and appropriate based on the facts and circumstances applicable to the Acquisition. The objective of the due diligence process is to identify material issues which might affect the decision to proceed with the Acquisition or the consideration payable for the Acquisition. The Company has used information revealed during the due diligence process to formulate its business and operational planning for, and its valuation of, Vodafone Spain.

There can be no assurance that the due diligence undertaken has revealed all relevant facts that may be necessary to evaluate the Acquisition including the determination of the price the Company is to pay, or to formulate a business strategy. Furthermore, the information provided during due diligence may have been incomplete, inadequate or inaccurate. As part of the due diligence process, the Company has made subjective judgments regarding the results of operations, financial condition and prospects of the Acquisition. If the due diligence investigation failed correctly to identify material issues and liabilities in Vodafone Spain or its business, or if the Company considers such material risks to be commercially acceptable relative to the opportunity of the Acquisition, and the Company proceeds with the Acquisition, it may subsequently incur substantial impairment charges or other losses. In addition, following the Acquisition, the Enlarged Group may be subject to significant, previously undisclosed liabilities of Vodafone Spain that were not identified during due diligence and which could contribute to poor operational performance, undermine any attempt to restructure Vodafone Spain in line with the Company's business plan and could have a material adverse effect on the business, financial condition, results of operation and prospects of the Enlarged Group.

E. Risks Relating to the Zegona Shares

E.1 *Investments in listed securities may not be a suitable investment for all recipients and the market price of the New Zegona Shares and/or the Zegona Shares may be volatile*

The Zegona Shares may not be a suitable investment for all the recipients of this Prospectus. Before making a final decision, investors are advised to consult an appropriate independent investment adviser authorised under FSMA (or from another appropriately authorised financial adviser) who specialises in advising on the acquisition of shares and other securities.

Prospective investors should be aware that the value of an investment in Zegona may go down as well as up.

The market price of the Zegona Shares could be volatile and subject to significant fluctuations due to a variety of factors outside the control of the Zegona Group. Such factors include: changes in sentiment in the market regarding the New Zegona Shares and/or Zegona Shares (or securities similar to them), any regulatory changes affecting the Zegona Group's and, following Completion, the Enlarged Group's operations, variations in the Zegona Group's and, following Completion, the Enlarged Group's operating results, business developments of the Zegona Group and, following Completion, the Enlarged Group or its competitors, the operating and share price performance of other companies in the industries and markets in which the Zegona Group and, following Completion, the Enlarged Group operate, speculation about the Zegona Group's and, following Completion, the Enlarged Group's business in the press, media or the investment community, changes to the Zegona Group's and, following Completion, the Enlarged Group's profit estimates or the publication of reports by analysts and general market conditions. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Zegona Group's and, following Completion, the Enlarged Group's operating performance, underlying asset value or prospects. The market price of the New Zegona Shares may be adversely affected by any of the preceding or other factors regardless of the Zegona Group's and, following Completion, the Enlarged Group's actual results of operations and financial condition. Furthermore, the Zegona Group's and, following Completion, the Enlarged Group's operating results and prospects from time to time may be below the expectations of market analysts and investors.

E.2 *Zegona Shareholders who do not subscribe for New Zegona Shares will experience dilution on their ownership as a result of the Offer and the PrimaryBid Offer*

The Existing Zegona Shares will be diluted by the issue of the New Zegona Shares. Assuming the maximum number of New Zegona Shares are issued and there are no other changes to Zegona's share capital between the date of this Prospectus and Admission, Existing Zegona Shareholders who do not participate in the Placing or the PrimaryBid Offer will suffer dilution of approximately 99 per cent. to their shareholdings in the Company.

E.3 ***Zegona's ability to pay dividends on the Zegona Shares will depend on the availability of distributable reserves and dividend payments are not guaranteed***

Zegona's ability to pay dividends is limited under English company law, which limits a company to only paying dividends to the extent that it has distributable reserves available for this purpose. As a holding company, Zegona's ability to pay dividends in the future is affected by a number of factors, most importantly the Zegona Group's ability to receive sufficient dividends from Vodafone Spain or any subsidiary or investment it may acquire in the future. With respect to Vodafone Spain, payment of such dividends is subject to the existence of sufficient distributable reserves in Vodafone Spain and to legal and regulatory requirements and other restrictions under Spanish law, including, but not limited to, applicable tax laws. In addition, the financial condition and operating requirements of Vodafone Spain may limit the Zegona Group's ability to obtain cash from Vodafone Spain. These laws and restrictions could limit the payment of future dividends and distributions by Vodafone Spain to the Zegona Group, which could restrict Zegona's ability to pay a dividend to holders of the Existing Zegona Shares or the New Zegona Shares. Zegona can therefore give no assurance that it will be able to pay dividends going forward or as to the amount or timing of such dividends, if any.

E.4 ***Substantial future sales of Zegona Shares could impact the trading price of the Zegona Shares***

Upon Admission and Re-Admission, Newco will in aggregate hold 523,240,603 Zegona Shares, representing 73.85 per cent. of the issued Zegona Shares immediately following Admission and Re-Admission (assuming the Placing completes and the Company does not undertake any buybacks of Zegona Shares prior to Admission and Re-Admission).

Newco has agreed with the Company pursuant to the Conditional Subscription and Relationship Agreement that during (i) the period which is six months following Completion, and (ii) at any time during which any loan or commitment under the Corporate Bridge Facility is outstanding, it will not, without the prior written consent of the Company and subject to other limited customary lock-up exceptions, sell or contract to sell, grant any option over or otherwise dispose of or encumber any Zegona Shares it holds immediately following Admission and Re-Admission (or any interest therein) or enter into any transaction with the same economic effect as any of the foregoing. The holder of the Vodafone Preference Shares (the "**Preference Shareholder**") shall be entitled to transfer the Vodafone Preference Shares to any third party (subject to: (i) that third party fulfilling certain tax-related requirements, (ii) the Preference Shareholder providing 30 days' notice to the Company, and (iii) no loan or commitment under the Corporate Bridge Facility being outstanding). Following a transfer of the Vodafone Preference Shares to a party outside the Vodafone Group, Newco will be prohibited from disposing of any of its Zegona Shares for a further period of six months from the date of such transfer (subject to limited exceptions and provided that such period shall not exceed the date that is three years after Completion). For the first two years following expiry of the further six month lock-up period, Newco will be entitled to dispose of its Zegona Shares provided that it (i) appoints a broker from a list pre-agreed with the Company in connection with such disposal, and (ii) only disposes of the Zegona Shares in accordance with the advice of such broker to ensure that the proposed disposal does not prejudice the maintenance of an orderly market of the Zegona Shares. Such restrictions shall cease to apply after expiry of the two year period or, three years following Completion if earlier.

The sale of a substantial number of Zegona Shares in the public market after the lock-up restriction expires (or is waived by the Company) or during the orderly market period noted above, or the perception that such a sale may occur at either or both points in time, may depress the market price of the Zegona Shares and could impair the Company's and, following Completion, the Enlarged Group's ability to raise capital through the issuance of additional equity securities (also see risk factor A.1 "*The Zegona Group may fail to implement its strategy, including to realise cost savings and stabilise revenues, such strategy may take longer to implement or the benefits may be materially lower than has been targeted or lead to disruption or other adverse effects on the business*" of section A of Part II (*Risk Factors*) of this Prospectus).

E.5 ***Exchange rate fluctuations may impact the price of Zegona Shares or the value of any dividends paid***

The Zegona Shares, and any dividends to be announced in respect of such shares, will be quoted in pounds sterling. An investment in Zegona Shares by an investor in a jurisdiction whose principal currency is not Sterling exposes the investor to foreign currency rate risk. Any depreciation of the pounds sterling currency in relation to such foreign currency will reduce the value of the investment in the Zegona Shares in foreign currency terms and may adversely impact the value of any dividends.

E.6 ***Zegona Shareholders outside the United Kingdom may not be able to participate in future equity offerings***

English law provides for pre-emption rights generally to be granted to the Zegona Shareholders, unless such rights are disapplied by shareholder resolution. However, Zegona Shareholders outside the United Kingdom may not be entitled to exercise these rights. U.S. holders of shares are customarily excluded from exercising any such pre-emption rights they may have unless a registration statement under the U.S. Securities Act is effective with respect to those rights, or an exemption from the registration requirements or similar requirements in other jurisdictions thereunder is available. Zegona has no current intention to file any such registration statement, and cannot assure prospective investors that any exemption from the registration requirements would be available to enable U.S. or other overseas holders to exercise such pre-emption rights or, if available, that it will utilise any such exemption.

E.7 ***Zegona has not registered and does not intend to register as an investment company under the U.S. Investment Company Act***

Zegona is not, and does not intend to become, registered in the United States as an investment company under the U.S. Investment Company Act and related rules and regulations. The U.S. Investment Company Act provides certain protections to investors and imposes certain restrictions on companies that are registered as investment companies.

As Zegona is not so registered and does not plan to register, none of these protections or restrictions is or will be applicable to the Company. In addition, to avoid being required to register as an investment company under the U.S. Investment Company Act, the Board may, under the Articles and subject to certain conditions, compulsorily require the transfer of Zegona Shares held by a person to whom the sale or transfer of Zegona Shares may cause Zegona to be classified as an investment company under the U.S. Investment Company Act. These procedures may materially affect certain Zegona Shareholders' ability to transfer their Zegona Shares.

E.8 ***Investors may not be able to realise returns on their investment in New Zegona Shares within a period that they would consider to be reasonable***

Investments in Zegona Shares may be relatively illiquid. There may be a limited number of Zegona Shareholders and this may contribute both to infrequent trading in the Zegona Shares on the London Stock Exchange and to volatile share price movements. Investors should not expect that they will necessarily be able to realise their investment in Zegona Shares within a period that they would regard as reasonable. Accordingly, the Zegona Shares may not be suitable for short-term investment. Admission should not be taken as implying that there will be an active trading market for the Zegona Shares.

E.9 ***The standard listing segment of the Official List affords Zegona Shareholders a lower level of regulatory protection than a listing on the premium listing segment would***

Application will be made for the New Zegona Shares to be admitted to the standard listing segment of the Official List. As the Acquisition is classified as a reverse takeover under the Listing Rules, upon Completion the admission of all of the Zegona Shares in issue immediately prior to Completion to the standard listing segment of the Official List will be cancelled and application will be made to the FCA for the re-admission of those Zegona Shares, including the New Zegona Shares, to the standard listing segment of the Official List. A listing on the standard listing segment of the Official List affords Zegona Shareholders a lower level of regulatory protection than that afforded to investors in companies with a listing on the premium listing segment of the Official List, which are subject to additional obligations under the Listing Rules. In particular, Zegona Shareholders do not have the opportunity to vote on any future acquisitions, even if Zegona Shares are being issued as consideration for such acquisition, save to the extent Zegona Shareholder approval is required to issue such Zegona Shares.

F. Risks Related to Tax

F.1 *Adverse changes in the tax position of the Zegona Group and, following Completion*, *the Enlarged Group due to the application, interpretation or amendment of tax laws, rules, regulations or practices in relation to the Zegona Group and, following Completion, the Enlarged Group are subject to uncertainties and the Enlarged Group may become the subject of a dispute with a tax authority*

Any change in the Zegona Group's or, following any further acquisition, any other member of the Zegona Group's and, following Completion, the Enlarged Group's tax position or status or in tax legislation or proposed legislation, or in the interpretation of tax legislation or proposed legislation by tax authorities or courts, or tax rates could adversely affect the Zegona Group's ability to pay dividends, dividend growth and/or the market value of the Zegona Shares. Taxation authorities may also challenge the application or interpretation of tax legislation, rules and regulations (including recording keeping requirements) by, or the tax methodologies (including transfer pricing) of, the Zegona Group and, following Completion, the Enlarged Group or may seek to determine that the manner in which the Zegona Group and, following Completion, the Enlarged Group operates does not achieve the expected or intended tax consequences.

Vodafone Spain has in the past been, is and may in the future be, the subject of any disputes with tax authorities, certain of which have had both beneficial outcomes and certain of which have resulted in additional costs for Vodafone Spain, which may take up a significant amount of management time. The Zegona Group and, following Completion, the Enlarged Group could be subject to further audit, enquiry or investigation by, or be involved in dispute with, a taxation authority. Taxation authorities may seek to assess additional taxes on the Zegona Group and, following Completion, the Enlarged Group and/or impose interest and penalties. Any successful challenge by a taxation authority could increase the effective tax rates of the Zegona Group and, following Completion, the Enlarged Group. Any additional taxes or other assessments may be in excess of the current tax reserves and/or provisions of the Zegona Group and, following Completion, the Enlarged Group and the Zegona Group and, following Completion, the Enlarged Group may be required to modify its business practices to reduce its exposure to additional taxes going forward. Any of the risks identified above may have a material adverse effect on the Zegona Group's business and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

F.2 *Levels of and reliefs from taxation may change*

The levels of, and reliefs from, taxation may change. Zegona Shareholders should not rely on general guidance and should seek their own advice. There can be no guarantee that the rates of taxation envisaged by the Directors will be the on-going rates of taxation paid by Zegona or Zegona Shareholders.

PART III. CONSEQUENCES OF A STANDARD LISTING

Application will be made for the New Zegona Shares to be admitted to the standard listing segment of the Official List. As the Acquisition is classified as a reverse takeover under the Listing Rules, upon Completion the admission of all of the Zegona Shares in issue immediately prior to Completion to the standard listing segment of the Official List will be cancelled and application will be made for the re-admission of those Zegona Shares, including the New Zegona Shares, to the standard listing segment of the Official List. A listing on the standard listing segment of the Official List will afford investors in the Company a lower level of regulatory protection than that afforded to investors in companies with a listing on the premium listing segment of the Official List, which are subject to additional obligations under the Listing Rules.

The Zegona Shares will be admitted to the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for standard listings. As required by the FCA, the Company will comply with listing principles 1 and 2 as set out in Chapter 7 of the Listing Rules.

While the Company has a standard listing, it is not required to comply with the provisions of, among other things:

- Chapter 7 of the Listing Rules, to the extent that they refer to the premium listing principles;
- Chapter 8 of the Listing Rules regarding the appointment of a sponsor to guide the Company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. The Company has not and does not intend to appoint such a sponsor in connection with the Offer, the PrimaryBid Offer, Admission and Re-Admission;
- Chapter 9 of the Listing Rules regarding continuing obligations of a company with a premium listing including, among other things, requirements relating to further issues of shares, the ability to issue shares at a discount in excess of 10 per cent. of the market value, notifications and contents of financial information, and explanations as to how the company has complied with the UK Corporate Governance Code (although note that, as set out in Part XII *(Directors, Corporate Governance and Employees)* of this Prospectus, the Company intends to comply with certain elements of the UK Corporate Governance Code on a voluntary basis);
- Chapter 10 of the Listing Rules relating to significant transactions;
- Chapter 11 of the Listing Rules regarding related party transactions;
- Chapter 12 of the Listing Rules regarding purchases by the Company of its shares; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Zegona Shareholders.

The FCA is currently consulting on changes to the Listing Rules which, if implemented, may impose more onerous obligations on the Company than those currently applying under the current Listing Rules.

The Company intends to comply with certain components of the UK Corporate Governance Code, as set out in Part XII (*Directors, Corporate Governance and Employees*).

PART IV. IMPORTANT INFORMATION

Investment in Zegona carries risk. There can be no assurance that Zegona's strategy will be achieved and investment results may vary substantially over time. Investment in Zegona is not intended to be a complete investment programme for any investor. The price of the Zegona Shares and any income from the Zegona Shares can go down as well as up and Zegona Shareholders may not realise the value of their initial investment. Prospective investors should carefully consider whether an investment in Zegona is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment. See Part II (*Risk Factors*) of this Prospectus.

Prospective investors contemplating an investment in the New Zegona Shares should recognise that the market value of the New Zegona Shares can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Zegona Group and, following Completion, the Enlarged Group. No assurance is given, express or implied, that investors will receive back the amount of their investment in the New Zegona Shares.

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by Zegona, the Directors, Vodafone Spain, Vodafone Group or the Joint Bookrunners. Neither the delivery of this Prospectus nor any offer or subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Zegona Group or the Vodafone Group since the date of this Prospectus or that the information in this Prospectus is correct as at any time subsequent to its date.

The contents of this Prospectus or any subsequent communication from Zegona or from the Joint Bookrunners or any of their respective affiliates, officers, directors, employees or agents is not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents, or use of any information contained in this Prospectus for any purpose other than considering the Offer or an investment in the New Zegona Shares is prohibited. By accepting delivery of this Prospectus, each offeree of the New Zegona Shares agrees to the foregoing.

Without limitation, the contents of the websites of the Company and Vodafone Group do not form part of this Prospectus, unless specifically incorporated by reference.

The information given is as of the date of this Prospectus and, except as required by the FCA, the Panel, the London Stock Exchange, the Listing Rules, the Market Abuse Regulation, the Prospectus Regulation Rules, the City Code, the Disclosure Guidance and Transparency Rules or any other applicable law, will not be updated.

This Prospectus should be read in its entirety before making any investment in the Company.

Forward-looking statements

Certain statements contained herein are forward-looking statements and are based on current expectations, estimates and projections about the expected effects of the Transaction on the Zegona Group, Vodafone Spain and the Enlarged Group, the anticipated timing and benefits of the Transaction, the Zegona Group's and Vodafone Spain's anticipated standalone or combined financial results and outlook, the industry and markets in which the Zegona Group, Vodafone Spain and, the Enlarged Group operate and the beliefs, and assumptions made by the Directors. Words such as "expects", "should", "intends", "plans", "believes", "estimates", "projects", "may", "targets", "would", "could" and variations of such words and similar expressions are intended to identify such forward-looking statements and expectations. These statements are based on the current expectations of the management of the Company or Vodafone Spain (as the case may be) and are subject to uncertainty and changes in circumstances and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. As such, forward-looking statements should be construed in light of such factors. Neither the Company, Vodafone Spain, nor any of their respective associates or directors, proposed directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Prospectus will actually occur or that if any of the events occur, that the effect on the operations or financial condition of the Company, Vodafone Spain or the Enlarged Group will be as expressed or implied in such forward-looking statements. Forward-looking statements contained in this Prospectus based on past trends or activities should not be taken as a representation that such trends or activities will necessarily continue in the future. In addition, these statements are based on a number of assumptions that are subject to change. Such risks, uncertainties and assumptions include, but are not limited to: the satisfaction of the conditions to the Transaction and other risks related to Completion and actions related thereto; the Company's and Vodafone Group's ability to complete the Transaction on the anticipated terms and schedule; the tax treatment of the Transaction; risks relating to any unforeseen liabilities of the Company or Vodafone Spain; future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, losses and future prospects of the Company, Vodafone Spain and the Enlarged Group; business and management strategies and the expansion and growth of the operations of the Company, Vodafone Spain and the Enlarged Group; the ability to successfully realise expected operational improvement from the Transaction; the effects of government regulation on the businesses of the Company, Vodafone Spain or the Enlarged Group; the risk that disruptions from the Transaction will impact the Vodafone Spain business; and the Company's or Vodafone Spain's plans, objectives, expectations and intentions generally, as well as other factors described in the Risk Factors set out in this Prospectus. However, it is not possible to predict or identify all such factors. Consequently, while the list of factors presented here is considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties.

Any forward-looking statement contained in this Prospectus speaks as of the date hereof. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's or Vodafone Spain's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by applicable law, the Prospectus Regulation Rules, the Listing Rules, the City Code the Market Abuse Regulation or the DTRs.

Investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined in Part II (*Risk Factors*) of this Prospectus, their personal circumstances and the financial resources available to them.

The content of these paragraphs relating to forward-looking statements do not in any way seek to qualify the working capital statement contained in paragraph 13 of Part XX (*Additional Information*) of this Prospectus.

Cost savings statements

Statements regarding potential cost reduction actions, and any benefits which may flow from these, relate to future actions, and any benefits which may flow from these, and circumstances which by their nature involve risks, uncertainties and contingencies and are based on assumptions that may prove to be wrong. As such, the statements regarding Zegona's plans to implement cost reduction actions set out in this Prospectus (and any benefits which are stated to potentially flow from these plans) may not be implemented or achieved as quickly as anticipated, may be materially different from those which have been identified and may not materialise at all.

No profit forecasts or estimates

No statement in this Prospectus, or incorporated by reference into this Prospectus, is intended to be or is to be construed as a profit forecast or estimate for any period and no other statement in this Prospectus should be interpreted to mean that earnings or earnings per share for the Company for the current or future financial years, or those of the Enlarged Group following Completion, would necessarily match or exceed the historical earnings or earnings per share for the Company or Vodafone Spain.

Market and financial information

This Prospectus contains information regarding the Zegona Group's and Vodafone Spain's business and the markets in which they operate and compete. Where information has been sourced from a third party, it has been accurately reproduced and, so far as Zegona is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading and the source of such information has been disclosed. Such data and information as presented in this Prospectus may not be comparable to similarly titled data presented by other firms or companies in the Zegona Group's and Vodafone Spain's industry and the method of calculation may differ across the Zegona Group's and Vodafone Spain's industry and may be undertaken in different ways between Vodafone Spain's competitors. In particular, this Prospectus refers to "Business EBITDAaL" and "Business Cash Flow", the calculation of which will differ from the methodology of calculating EBITDAaL and Cash Flow used by other firms of companies in the Zegona Group's and Vodafone Spain's industry.

Further, sections of this Prospectus compare certain Vodafone Spain's FY23 costs with comparable costs incurred by Euskaltel in the nine months to 30 September 2020. The Company has calculated such figures by taking the Euskaltel costs for the nine months ended 30 September 2020, and annualizing them to provide a comparison to Vodafone Spain's FY23 costs by multiplying by 1.33. Certain of Euskaltel's costs (being subscriber acquisition cost, TV content costs and IT capex costs) have been inflation adjusted at an annual inflation rate of 4 per cent. Euskaltel's revenue in 2020 was approximately €697 million compared to Vodafone Spain's FY23 revenue of €3.9 billion.

Euskaltel's benchmark cost figures have been used in this Prospectus as the Directors believe this is the closest comparison given Zegona's status at the time as the major shareholder of Euskaltel at the relevant time applicable to the cost base set out in this Prospectus. However, given the passage of time, the different size, geographical split and different product mix between the two companies, investors should exercise caution before relying on such comparisons. There is no guarantee that the Company will be able to implement any of the identified cost reduction actions set out in this Prospectus or that they will have the expected, or any, impact. The Directors' experience of implementing cost-saving measures at Euskaltel does not mean that such cost savings (or any) will be achieved with Vodafone Spain.

Trading

In connection with the Placing, the Joint Bookrunners and any of their respective affiliates, acting as investors for their own accounts, or for the accounts of clients, may acquire the New Zegona Shares as a principal position and in that capacity may retain, subscribe for, purchase, sell, offer to sell or otherwise deal for their own accounts, or for the accounts of clients, in such New Zegona Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this Prospectus to the New Zegona Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue, offer, subscription, acquisition, placing or dealing by each of the Joint Bookrunners and any of their affiliates acting as investors for their own accounts. In addition, certain of the Joint Bookrunners or their affiliates may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which such Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of New Zegona Shares. None of the Joint Bookrunners or any of their affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Joint Bookrunners and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities related to or issued by the Company, its affiliates or other parties involved in or related to the Transaction. The Joint Bookrunners are all corporate finance advisory firms. The Joint Bookrunners and their respective affiliates have from time to time engaged in, and may in the future engage in, commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business, each as applicable, with the Company and its respective related parties. With respect to certain of these transactions and services, the sharing of information is generally restricted for reasons of confidentiality, internal procedures or applicable rules and regulations. The Joint Bookrunners have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with potential investors' and the Company's interests. In particular, Deutsche Bank, ING, and UniCredit and/or their affiliates will be lenders under the Senior Facilities Agreements.

In their capacity as lender, any of the Joint Bookrunners may, in the future, seek a reduction of a loan commitment to the Enlarged Group, or its affiliates, or impose incremental pricing or collateral requirements with respect to such facilities or credit arrangements, in the ordinary course of business. In addition, the Joint Bookrunners or their affiliates that have a lending relationship with the Enlarged Group may routinely hedge their credit exposure to the Enlarged Group consistent with their customary risk management policies; a typical hedging strategy would include the Joint Bookrunners or their affiliates hedging such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Zegona Shares.

Presentation of financial information

The financial information relating to Vodafone Spain and Zegona presented and incorporated by reference in this Prospectus respectively, was not prepared in accordance with U.S. Generally Accepted Accounting Principles ("**U.S. GAAP**") or audited in accordance with U.S. Generally Accepted Auditing Standards ("**U.S. GAAS**") or the standards of the Public Company Accounting Oversight Board ("**PCAOB Standards**").

No opinion or any other assurance with regard to any financial information was expressed under U.S. GAAP, U.S. GAAS or PCAOB Standards and the financial information is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification, reformulation or exclusion of certain financial measures. In addition, changes would be required in the presentation of certain other information. In particular, no reconciliation to U.S. GAAP is provided.

Unless otherwise stated, financial information relating to the Zegona Group has been extracted from the consolidated financial statements set out in Section A of Part XIII (*Historic Financial Information of the Zegona Group*) of this Prospectus.

Unless otherwise stated, financial information relating to Vodafone Spain has been extracted from the consolidated financial statements set out in Section B of Part XIII (*Historic Financial Information of Vodafone Spain*) of this Prospectus.

Unless otherwise stated, financial information in this Prospectus relating to the Zegona Group and Vodafone Spain has been prepared in accordance with UK IFRS.

Non-IFRS financial information

Vodafone Spain uses, and the Enlarged Group will use, certain measures to assess the financial performance of its business. Certain of these measures are termed "non-IFRS" measures because they exclude amounts that are included in, or include amounts that are excluded from, comparable financial measures calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. These non-IFRS measures include:

"Adjusted EBITDA" is defined as operating profit excluding net interest, depreciation, amortisation (including amortisation of customer-related intangible assets), and gains/losses on disposal of owned and leased assets, impairment losses, restructuring costs arising from discrete restructuring plans, other income and expense and significant items that are not considered by Vodafone Spain Management to be reflective of the underlying performance of Vodafone Spain.

"Adjusted EBITDAaL" is defined as Adjusted EBITDA including the impacts on lease-related right of use assets and interest on lease liabilities.

A reconciliation of Adjusted EBITDA and Adjusted EBITDAaL to Vodafone Spain's profit or loss before taxation for the financial year can be found in Note 2 of the historical financial information set out in section B of Part XIII (*Historical Financial Information*) of this Prospectus:

"Adjusted EBITDA Margin" is defined as Adjusted EBITDA divided by total revenue.

"Business Cash Flow" is defined as Business EBITDAaL less capex (excluding license and Spectrum fees). The calculation of Business Cash Flow is set out below:

	Year ended		
	31 March 2023	**31 March 2022**	**31 March 2021**
		€'000	
Business EBITDAaL	1,286,264	1,314,458	1,312,640
Capex	(883,110)	(1,397,667)	(1,136,162)
Adjusted for license and Spectrum fees[1]	8,001	366,575	8,514
Business Cash Flow	**411,155**	**283,366**	**184,992**

Note:

(1) In FY22, Vodafone Spain received a concession for the exclusive use of 700 MHz for the expansion of 5G services for a period of 20 years and automatically renewable for a further 20 years for a concession fee amounting to €350 million. Because Spectrum auctions are infrequent and no 5G auctions are expected in the foreseeable future, Business Cash Flow has been adjusted to exclude license and Spectrum fees from capex in order to present what the Directors believe is a more normalised view of the underlying cash generating performance of the business during the period under review.

"Business Cash Flow Margin" is defined as Business Cash Flow divided by total revenue.

"Business EBITDAaL Margin" is defined as Business EBITDAaL divided by total revenue.

"Business EBITDAaL" is defined as Vodafone Group Spain segment's reported Adjusted EBITDAaL adjusted in line with Zegona's accounting policy relating to subscriber acquisition costs. Business EBITDAaL is a different measure to Vodafone Spain's Adjusted EBITDAaL and is a measure Zegona management consider appropriate to assess the underlying operating performance and profitability of

Vodafone Spain.

A reconciliation of Business EBITDAaL to Adjusted EBITDAaL as reported in the historical financial information set out in section B of Part XIII (*Historical Financial Information*) of this Prospectus is set out below:

	Year ended		
	31 March 2023	**31 March 2022**	**31 March 2021**
		€'000	
Vodafone Group Spain segment's Adjusted EBITDAaL[1]	**946,800**	**957,376**	**968,152**
Add: Alignment to Zegona Group's accounting policy relating to subscriber acquisition costs	339,464	357,082	344,488
Business EBITDAaL	1,286,264	1,314,458	1,312,640
Add: Sundry and Vantage adjustments[2]	59,075	40,438	116,520
Less: Intercompany recharges for certain services and for the use of certain Vodafone Group assets[3]	(243,469)	(252,026)	(223,800)
Adjusted EBITDAaL	**1,101,870**	**1,102,870**	**1,205,360**

Notes:

(1) Reflects the Adjusted EBITDAaL[2] for the Vodafone Group Spain segment. For the financial year ending 31 March 2021, Vantage remained part of the Vodafone Group Spain segment for the full year, resulting in a further €76 million of Adjusted EBITDAaL in the reported results which is not reflected in the base figures presented above. From the financial year ending 31 March 2022 and onwards, Vantage was reported as a standalone operating segment under the new Vodafone Group segmental reporting structure, therefore there is no difference between the figures presented above and the Vodafone Group Spain segment result for 2022.

(2) Sundry and Vantage adjustments relate to: incorporation of the result of Vantage up to the date of disposal by Vodafone Group; amortisation of the gain on disposal of Vantage (credited in the Vodafone Group financial statements to "Other expenses"); and an adjustment to reflect the reduced depreciation charge of Vantage right-of-use assets impaired in the Vodafone Group financial statements, as well as other minor adjustments.

(3) Intercompany recharges for the use of certain Vodafone Group services are recorded as an expense in the historical financial information of Vodafone Spain and relate to Vodafone Group recharges for the use of certain assets (utilised by Vodafone Spain but owned by other entities within the Vodafone Group) use of brand, interagency fees, insurance services and margin included in the Vodafone Group financial statements. These items are recognised below Adjusted EBITDAaL in the Vodafone Spain segment's historical financial information. Post-Completion, certain of these services provided by other Vodafone Group companies will be covered by the Intercompany Agreements, certain services are expected to be procured from other third parties and certain services will be terminated. Total costs of the intercompany agreements (comprised of both fixed and variable costs) in the first full financial year following Completion are not expected to exceed €110 million. The services to be provided under the Intercompany Agreements going forward were historically included within the Vodafone Group Spain Segment Adjusted EBITDAaL.

(4) The cost structure post-Completion is expected to differ as some of these services will be provided on a different basis and others will be terminated, as negotiated under the Intercompany Agreements. Please see paragraph 6 of Part VIII (*Information about the Transaction*) and paragraph 3.5 of Part XV (*Operating and Financial Review of Vodafone Spain*).

"Adjusted Cash Flow" is defined as Adjusted EBITDAaL less capex (excluding license and Spectrum fees). The calculation of Adjusted Cash Flow is set out below:

	Year ended		
	31 March 2023	**31 March 2022**	**31 March 2021**
		€'000	
Adjusted EBITDAaL	1,101,870	1,102,870	1,205,360
Capex	(883,110)	(1,397,667)	(1,136,162)
Adjusted for license and Spectrum fees[1]	8,001	366,575	8,514
Adjusted Cash Flow	**226,761**	**71,778**	**77,712**

Note:

(1) In FY22, Vodafone Spain received the concession for the exclusive use of 700 MHz for the expansion of 5G services for a period of 20 years and automatically renewable for a further 20 years for a concession fee amounting to €350 million. Because Spectrum auctions are infrequent and no 5G auctions are expected in the foreseeable future, Adjusted Cash Flow

[2] Defined as operating profit after depreciation on lease-related right of use assets and interest on lease liabilities but excluding depreciation, amortisation and gains/losses on disposal of owned assets and excluding share of results of equity accounted associates and joint ventures, impairment losses, restructuring costs arising from discrete restructuring plans, other income and expense and significant items that are not considered by management to be reflective of the underlying performance of the Vodafone Group.

has been adjusted to exclude license and Spectrum fees from capex in order to present what the Directors believe is a more normalised view of the underlying cash generating performance of the business during the period under review.

"Adjusted Cash Flow margin" is defined as Adjusted Cash Flow divided by total revenue.

This Prospectus also refers to Zegona's return on "EKT Net Invested Capital". Return on Zegona's EKT Net Invested Capital was calculated as the percentage by which Zegona's underlying asset value implied by the sale of Euskaltel to MásMóvil exceeded Zegona's EKT Net Invested Capital at that time. Zegona's EKT Net Invested Capital represented the net amount of all shareholder subscriptions less all returns to shareholders, including dividends, capital returns and share buy-backs since Zegona's initial quotation on the AIM Market of London Stock Exchange in March 2015 until the business day before announcement of the offer by MásMóvil to acquire Euskaltel. As at 26 March 2021, Zegona's EKT Net Invested Capital was £198.5 million. Zegona's underlying asset value implied by the sale of Euskaltel to MásMóvil was £1.70 per Zegona Share, which was calculated as the pound sterling equivalent of the value of Zegona's investment in Euskaltel at the sale price of €11.17 per share, an amount of contingent consideration payable to Zegona of €8.654 million and Zegona's estimated cash and cash equivalents net of its bank borrowings as at 26 March 2021, divided by the total number of Zegona Shares outstanding at the time of 216,004,975, translated where relevant using a £/€ exchange rate of 1.168. Other assets and liabilities are not included in the calculation but historically have not been material. The calculation also includes no value (liability) for Zegona's management incentive scheme.

These non-IFRS financial measures are not measurements of operating performance under IFRS and should not be considered a substitute for other income statement data, or as measures of profitability or liquidity. These measures may not be indicative of the Zegona Group's or Vodafone Spain's (as applicable) historical operating results nor are they meant to be predictive of potential future results. Other companies may calculate such measures in a different way, and the Zegona Group's and Vodafone Spain's (as applicable) presentation may not be comparable to similarly entitled measures of other companies.

Key performance indicators

Certain key performance indicators ("**KPIs**") and operational data for Vodafone Spain are presented in this Prospectus. The Directors believe that such data is important to understanding Vodafone Spain's performance from period to period and that such data facilitates comparison with Vodafone Spain's peers. However, such data as presented in this Prospectus may not be comparable to similarly titled data presented by other firms or companies in Vodafone Spain's industry and the method of calculation may differ across Vodafone Spain's industry. Apart from Adjusted EBITDA and Adjusted EBITDAaL, the KPIs are not part of Vodafone Spain's audited, consolidated historical financial information and have not been audited or otherwise reviewed by external auditors, consultants or experts and in certain circumstances are based on Vodafone Spain's estimates.

Each of the KPIs that Vodafone Spain's management utilises to evaluate the performance of Vodafone Spain's business is defined below:

- "Mobile Closing Customer" is defined as a Subscriber Identity Module ("**SIM**"), or in territories where SIMs do not exist, a unique mobile telephone number, which has access to the network for any purpose (including data only usage) except telemetric applications and SIMs used in wearables - gadgets that are meant to be worn by people (e.g., smartwatches).
- "Mobile Contract Closing Customer" is mobile customer with a post-paid contract (excludes prepaid customers SIMs).
- "Mobile Contract Churn" is a ratio calculated by dividing mobile contract SIM's (prepaid not included) disconnections by the average mobile contract subscription customer base and expressed as an annualised positive percentage.
- "Fixed Broadband Closing Customers" is defined as the number of one-month active customers with subscriptions to broadband services with access via a physical fixed line connection.
- "Broadband Churn" is a ratio calculated by dividing broadband customers disconnections by the average broadband customer base and expressed as an annualised positive percentage.
- "TV Customers" is the number of one-month active customers with subscriptions to TV services either via a physical fixed line connection or a boxless solution without a Vodafone fixed line connection (such as mobile app).
- "Consumer Contract - Converged Customer Accounts" is defined as the number of customer accounts with any combination of services that at least includes one mobile and one fixed line service, that are

either provided under a single contract, or under separate contracts for which the customer receives additional benefits on top of the fee they pay for the individual contracts (e.g., discounts, additional bundle allowance, etc).

- "Consumer Contract - Converged Customer Accounts ARPA" is defined as income from customers related to the provision of fixed and mobile services when the customer gets a benefit from having both services provided by Vodafone, divided by the average number of customer accounts that receive these services.

No recommendation

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company or the Joint Bookrunners or any of their respective representatives that any recipient of this Prospectus should purchase the New Zegona Shares.

Legality of investment

None of the Company or the Joint Bookrunners or any of their respective representatives is making any representation to any offeree or purchaser of the New Zegona Shares in the Placing regarding the legality of an investment by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Data protection

When an application is made to subscribe for New Zegona Shares, the Company (and any third party to whom the Company may delegate the performance of certain administrative functions in relation to the Company) will collect data about the prospective Zegona Shareholder, such as the name of the Zegona Shareholder, their address, the number of Zegona Shares they subscribe or wish to subscribe to, account details and proof of identity, together with such other personal data as is required in connection with the administration of the prospective Zegona Shareholder's interest in the Company ("**Personal Data**"). This data will be held and processed by the Company (and any third party in the United Kingdom to whom it may delegate certain administrative functions in relation to the Company) in accordance with applicable Data Protection Legislation. It will be stored securely on the Company or other third party processor's computer systems and manually, and will be retained only for as long as is necessary in order to administer the interests in the Company and for any period thereafter which is required in order for the Company to comply with its legal obligations.

The Company is required by Data Protection Legislation to specify the purposes for which it will hold Personal Data. The Company (together with any third party, functionary, or agent appointed by the Company) will use and process such data for the following purposes:

- for or in connection with the subscription for, and holding of, Zegona Shares, including processing Personal Data in connection with credit and money laundering checks on the prospective Zegona Shareholder;
- to communicate with the prospective Zegona Shareholder as necessary in connection with the proper running of the Company's business affairs and generally in connection with the subscription for, and holding of, Zegona Shares;
- to provide Personal Data to such third parties as are or shall be necessary in connection with the proper running of the Company's business affairs and generally in connection with the subscription for, and holding of, Zegona Shares or as Data Protection Legislation may require, including to third parties outside the UK (subject to the use of a transfer mechanism which is approved at the relevant time by the UK Government or any other regulatory body which has or acquires the right to approve methods of transfer of personal data outside the UK); and
- for the Company's internal record keeping and reporting obligations.

The legal basis for processing Personal Data for the purposes set out above is the legitimate interests of the Company in carrying out its business and maintaining the register of members of the Company and/or (in some cases) that the processing is necessary for compliance with a legal obligation to which the Company is subject.

The Company is a data controller in respect of Personal Data and for the purposes of Data Protection Legislation. All prospective Zegona Shareholders whose Personal Data has been submitted in connection with an application for an interest in the Company have a right to:

- be told about the Personal Data that the Company hold about them and to receive a copy of the information that constitutes Personal Data about them, on request;
- request access to and rectification or erasure of Personal Data, restriction of processing concerning the prospective Zegona Shareholder, and the right to data portability (as set up in, and subject to limits imposed by Data Protection Legislation);
- withdraw consent to processing, to the extent that processing is based on consent; and
- lodge a complaint about processing with the UK data protection supervisory authority (the Information Commissioner's Office).

If you wish to exercise any of these rights, or wish to contact the Company about your Personal Data, you should submit a written application to the Company via the Company Secretary at 8 Sackville Street, London, England, United Kingdom, W1S 3DG.

Where a third party provides Personal Data about a prospective Zegona Shareholder to the Company, the third party represents and warrants to the Company that it has collected and transferred such data to the Company in accordance with Data Protection Legislation.

ERISA considerations

Investment in the Company is not open to U.S. Benefit Plan Investors (e.g., U.S. employee benefit plans, U.S. individual retirement accounts and entities whose assets are deemed to be assets of one or more U.S. employee benefit plans or U.S. individual retirement accounts).

ERISA imposes certain fiduciary standards and certain other requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA, including, without limitation, entities such as collective investment funds, certain insurance company separate accounts, certain insurance company general accounts, and entities whose underlying assets are treated as being subject to ERISA (collectively, "**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Any person who exercises any discretionary authority or control over the administration of an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan under ERISA. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan and the applicable provisions of ERISA and the Internal Revenue Code.

Rounding

Certain numerical figures set out in this Prospectus, including financial data presented in millions or thousands, have been subject to rounding adjustments and, as a result, the totals of the data in this Prospectus may vary slightly from the actual arithmetic totals of such information.

No incorporation of website

The contents of the Company's website, Vodafone Group's websites or any other website accessible via hyperlinks from the Company's or Vodafone Group's websites are not incorporated into, and do not form part of, this Prospectus, unless specifically incorporated by reference.

Definitions

A list of defined terms and a glossary of technical terms used in this Prospectus is set out in Part XXII *(Definitions, Abbreviations and Glossary)*.

Governing law

Unless otherwise stated, statements made in this Prospectus are based on the law and practice in force in England and Wales on the date of this Prospectus and are subject to the changes therein.

Currencies

All references in this Prospectus to "pounds sterling", "£" or "pence" are to the lawful currency of the UK and references to "Euro", "€" or "EUR" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to "U.S. dollars" or "U.S.$" are to the lawful currency of the United States. Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in Euro.

Constitution

All Zegona Shareholders are entitled to the benefit of, and will be bound by, and are deemed to have notice of, the provisions of the Articles.

Service of process and enforcement of civil liabilities

All of the Directors are residents of countries other than the United States. The Company is incorporated outside the United States and all of its assets are located outside the United States. As a result, it may not be possible for shareholders to effect service of process within the United States upon the Directors or on the Company, or to obtain discovery of relevant documents and/or the testimony of witnesses. Shareholders based in the U.S. may have difficulties enforcing in courts outside the United States judgments obtained in U.S. courts against some of the Directors or the Company (including actions under the civil liability provisions of the U.S. securities laws). In addition, an award or awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in the United Kingdom. Shareholders may also have difficulty enforcing liabilities under the U.S. securities laws in legal actions originally brought in jurisdictions located outside the United States.

PART V. EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	Time and date[(1)]
Announcement of the Acquisition and the debt financing	7 a.m. on 31 October 2023
Publication of the circular in respect of the General Meeting	31 October 2023
Delivery of the circular in respect of the General Meeting to Zegona Shareholders	31 October 2023
Announcement of the Placing	9 November 2023
Announcement of the results of the Placing	13 November 2023
Publication of the Prospectus	13 November 2023
Announcement of the PrimaryBid Offer	13 November 2023
Latest time and date for receipt of proxy appointments	11 a.m. on 14 November 2023
Announcement of the results of the PrimaryBid Offer	15 November 2023
General Meeting	11 a.m. on 16 November 2023
Announcement of the results of the General Meeting	16 November 2023
Expected date of Admission and commencement of dealings on the London Stock Exchange	8 a.m. on 17 November 2023
New Zegona Shares expected to be issued and credited to CREST accounts	17 November 2023
Expected date of Completion	between January 2024 and March 2024
Cancellation of the listing of the Zegona Shares on the London Stock Exchange	8 a.m. on the date of Completion
Re-admission of the Zegona Shares	8 a.m. on the date of Completion

Note:

(1) References to a time of day are to London time. The dates and times given are indicative only and are based on the Company's current expectations and may be subject to change. If any of the times and/or dates above change in any material respect, the revised times and/or dates will be notified to Zegona Shareholders via an RIS announcement.

PART VI. INDICATIVE STATISTICS

Number of Zegona Shares in issue as at 10 November 2023	6,172,424
Offer Price (per New Zegona Share)	150 pence
Number of New Zegona Shares to be issued in connection with the Offer	697,654,138
Number of New Zegona Shares to be issued in connection with the Placing	174,413,535
Number of New Zegona Shares to be issued in connection with the Conditional Subscription[(1)]	523,240,603
Number of New Zegona Shares to be issued in connection with the PrimaryBid Offer	Up to 4,651,027
Number of Zegona Shares to be in issue immediately following Admission and Re-Admission (with no New Zegona Shares held in treasury)[(2)]	Up to 708,477,589
Gross proceeds of the Offer[(1)]	£1,046 million
Gross proceeds of the Placing	£262 million
Gross proceeds of the Conditional Subscription[(1)]	£785 million
Gross proceeds of the PrimaryBid Offer	Up to €8 million
Estimated expenses of the Offer[(3)]	£11 million
Estimated net proceeds of the Offer and the PrimaryBid Offer receivable by the Company	Up to £1,042 million
Market capitalisation of the Company at the Offer Price following Admission[(4)]	Up to £1,063 million

The total number of New Zegona Shares to be issued pursuant to the PrimaryBid Offer is not known as at the date of this Prospectus but will be notified via an RIS announcement prior to Admission.

Notes:

(1) Based on the Exchange Rate of £1/€1.1467. Assuming the Placing completes, the amount of the Vodafone Preference Shares will be €900 million.

(2) On the assumption that the Company does not issue any Zegona Shares other than in connection with the Offer and the PrimaryBid Offer.

(3) All expenses are exclusive of VAT. No commissions, fees or expenses will be charged to subscribers for New Zegona Shares by the Company or PrimaryBid (in respect of the PrimaryBid Offer).

(4) The market capitalisation of the Company at any given time will depend on the market price of the Zegona Shares at that time. There can be no assurance that the market price of a Zegona Share will equal or exceed the Offer Price.

PART VII. DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Zegona Directors	Eamonn O'Hare (*Chairman and Chief Executive Officer*) Robert Samuelson (*Chief Operating Officer*) Ashley Martin (*Non-Executive Director*) Richard Williams (*Non-Executive Director*) Suzi Williams (*Non-Executive Director*)
Zegona's Company Secretary	Crestbridge Corporate Services Limited 47 Esplanade St Helier Jersey JE1 0BD
Zegona's Registered Office	8 Sackville Street London W1S 3DG United Kingdom
Global Co-ordinator and Joint Bookrunner	Deutsche Bank AG, London Branch (which is trading for these purposes as Deutsche Numis) Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom
Joint Bookrunners	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR United Kingdom ING Bank N.V. Bijlmerdreef 106, 1102 CT Amsterdam The Netherlands UniCredit Bank AG, Milan Branch Piazza Gae Aulenti 4, Tower C Milan Italy
Legal Adviser to Zegona as to English and U.S. Law	Travers Smith LLP 10 Snow Hill London EC1A 2AL United Kingdom
Legal Adviser to the Joint Bookrunners as to English and U.S. Law	Simmons & Simmons LLP Citypoint One Ropemaker Street London EC2Y 9SS United Kingdom

Reporting Accountant for Vodafone Spain for FY20, FY21, FY22 (Vodafone Spain March year-end) and the three-month period ended 30 June 2023	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom
Auditor to Zegona	KPMG LLP 15 Canada Square London E14 5GL United Kingdom

PART VIII. INFORMATION ABOUT THE TRANSACTION

1. Introduction

The Transaction involves the proposed acquisition of Vodafone Spain, an offer of New Zegona Shares, the entry into the New Facilities, and the admission and re-admission of all new and existing Zegona Shares to the standard listing segment of the Official List and to trading on the Main Market as further described in this section.

On 31 October 2023, Zegona, Zegona Limited, Zegona Bidco, S.L.U. (the "**Buyer**"), and Vodafone Europe B.V. (the "**Seller**") entered into the Acquisition Agreement, pursuant to which the Buyer has agreed, subject to the terms and conditions of the Acquisition Agreement, to acquire and the Seller has agreed, subject to the terms and conditions of the Acquisition Agreement, to sell the entire issued share capital of Vodafone Spain.

Pursuant to the Acquisition Agreement, the consideration payable by the Company is €5 billion which is subject to adjustments as set out in the Acquisition Agreement. The purchase price is based on an enterprise value of €5 billion.

The enterprise value of €5 billion represents a multiple of 3.9x FY23 Business EBITDAaL of approximately €1.3 billion.[3] This valuation benchmarks attractively to precedent European telecoms transaction multiples such as the sale of Euskaltel to MásMóvil Ibercom, S.A.U. in 2021, which valued Euskaltel at 10.1x EV / 2020 Euskaltel EBITDA, and the Orange/MásMóvil merger announced on 23 July 2022. The contents of that announcement disclosed a valuation for Orange of 7.2x Orange's 2022E EBITDAaL and a valuation for MásMóvil of 8.7x MásMóvil's 2022E EBITDAaL.

Zegona intends to finance the Acquisition through a mixture of debt and equity. The Company has raised £262 million in gross proceeds through the issue of New Zegona Shares pursuant to the Placing at a price per New Zegona Share of 150 pence, the net proceeds of which will be used to partially fund the Acquisition, fees and expenses incurred in connection with the Transaction and for general corporate purposes. The terms and conditions of the Placing were announced by the Company pursuant to an RIS announcement entitled "Proposed Placing" and released separately on 9 November 2023 (the "**Placing Announcement**"). Newco has agreed, pursuant to the Conditional Subscription and Relationship Agreement, to subscribe for €900 million of New Zegona Shares at the Offer Price in the Conditional Subscription which forms part of the Offer. Newco's funds will come from the issue of the Vodafone Preference Shares to the Seller. Assuming the Placing completes, the aggregate subscription amount of the Vodafone Preference Shares will be €900 million. The Company also intends to raise gross proceeds of up to €8 million through a separate offering of New Zegona Shares at the Offer Price via the PrimaryBid Offer. The allotment and issue of the New Zegona Shares in the Offer and the PrimaryBid Offer are subject to Zegona Shareholder approval.

Alongside the Offer, Zegona has agreed to an underwritten financing package of up to €4.2 billion with its Debt Underwriters (as described below in paragraph 7 of this Part VIII (*Information about the Transaction*)). The financing package consists of (i) a term loan A facility in an aggregate principal amount up to €500 million, and (ii) a corporate bridge facility in an aggregate principal amount up to €3,700 million, in each case on a customary certain funds basis. Zegona has also obtained binding commitments for an additional revolving credit facility in aggregate principal amount up to €500 million. At Admission, the Company estimates that the senior debt outstanding to FY23 Business EBITDAaL[4] of the Enlarged Group as at Completion will be up to approximately 3.0x (based on an amount of New Facilities of €3.9 billion at Completion, which amount may reduce depending on the net proceeds of the PrimaryBid Offer). The Directors believe the financing package provides Zegona with an attractive cost of capital, and allows Zegona Shareholders to benefit from levered returns, in line with the approach taken to Zegona's prior investments in Telecable and Euskaltel.

Completion is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including, amongst other things, the approval of the Council of Ministers (*Consejo de Ministros*) of the Spanish Government in respect of foreign direct investment into Spain, the approval of the Spanish Competition Authority (*Comisión Nacional de los Mercados y la Competencia*) in respect of Spanish merger control, the approval of the Spanish Secretariat under the Ministry of Economic Affairs and Digital Transformation of the transfer of relevant concessions for the private use of the public radioelectric domain, the European

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[3] A reconciliation to Adjusted EBITDAaL can be found in the paragraph entitled "Key Performance Indicators" of Part IV (*Important Information*) of this Prospectus.

[4] A reconciliation to Adjusted EBITDAaL can be found in the paragraph entitled "Key Performance Indicators" of Part IV (*Important Information*) of this Prospectus.

Commission issuing (or having been deemed to issue) a decision in respect of the EU Foreign Subsidies Regulation (Regulation (EU) 2022/2560) and Zegona Shareholder approval being granted for (i) the allotment and issue of the New Zegona Shares in the Conditional Subscription, (ii) the Rule 9 Waiver, and (iii) the entry into and performance of the Buyback Agreement. The Acquisition is not conditional on the Placing or the PrimaryBid Offer and therefore Completion could occur without the Placing or the PrimaryBid Offer completing, and the Company would fund the consideration payable for the Acquisition entirely using the New Facilities and the proceeds of the Conditional Subscription. In such circumstances where the Company would not satisfy the requirements of Listing Rule 14.2.2(3) to have at least 10 per cent. of the Zegona Shares in public hands on Completion, the Company would notify the market of its intention to cancel its listing in accordance with Listing Rule 5.2.8.

As a result of the Transaction, the Company will incur a number of one-time costs in respect of due diligence, financing and other adviser fees. Transaction-related costs payable to advisers in connection with the Offer are estimated to be £11 million. Zegona estimates that aggregate fees and expenses incurred in respect of the Transaction will be approximately €100 million.

2. Summary information on Zegona

Zegona was established in 2015 with the objective of investing in businesses in the European TMT sector and improving their performance to deliver attractive shareholder returns. Zegona is led by former Virgin Media executives Eamonn O'Hare and Robert Samuelson and is admitted to the standard listing segment of the Official List and to trading on the Main Market.

The Zegona Group acquired Telecable, the leading quadplay cable telecommunications operator in the Asturias region of Spain in August 2015. The Zegona Group sold Telecable to Euskaltel in July 2017 and maintained its holding in Euskaltel at approximately 15 per cent. With the benefit of strong shareholder support, Zegona subsequently increased its holding to approximately 21 per cent. becoming Euskaltel's largest shareholder in 2019 with two directors on the Euskaltel board. Zegona then leveraged its track record and initiated consolidation discussions with MásMóvil, which led to MásMóvil acquiring Euskaltel in July 2021. As a result of the acquisition by MásMóvil, Zegona received €421.3 million in cash from the disposal of Euskaltel in 2021 and returned £335 million to its shareholders via a return of capital.

For additional information on Zegona's business, see Part IX (*Information on Zegona*).

3. Summary information on Vodafone Spain

Vodafone Spain provides fixed-line, mobile, TV and digital market services delivering voice, data and value–added services to approximately 13.5 million mobile customers and 2.9 million fixed broadband customers as at 31 March 2023 and has approximately 19.7 per cent. total revenue market share as at 31 December 2022.

It operates a high-quality next generation nationwide mobile network supported by strong spectrum holdings and a nationwide fixed-line, TV and digital market delivered through a combination of owned and wholesale infrastructure.

The business caters to both the Consumer and Business markets and has achieved an increasingly converged customer base, with a majority of total subscribers buying bundled and converged products driving higher ARPU and a lower level of churn. Through its Consumer segment, Vodafone Spain generated €2,453 million (unaudited) of consumer total revenue in FY23 representing approximately 63 per cent. of total revenue and through its Business segment, Vodafone Spain generated €1,292 million (unaudited) of business total revenue in FY23 representing approximately 33 per cent. of total revenue.

In its financial years ended 31 March 2023, 2022 and 2021, Vodafone Spain had total revenue of €3.9 billion, €4.2 billion and €4.2 billion, respectively. Vodafone Spain had Business EBITDAaL [5] of €1.3 billion in its financial years ended 31 March 2023, 2022 and 2021. Vodafone Spain had operating losses of €94.6 million, €224.8 million and €60.5 million for the financial years ended 31 March 2023, 2022 and 2021, respectively.

For additional information on Vodafone Spain's business, see Part X (*Information on Vodafone Spain*).

4. Background to, and reasons for, the Transaction

The Zegona Group has significant relevant experience in the Spanish telecommunications market. When Zegona entered the Spanish telecommunications market through its purchase of Telecable in August 2015,

[5] A reconciliation to Adjusted EBITDAaL can be found in the paragraph entitled "Key Performance Indicators" of Part IV (*Important Information*) of this Prospectus.

it identified an opportunity for substantial value creation under new ownership. Zegona took this further through the sale of Telecable to Euskaltel and the delivery of Zegona's transformation programme at Euskaltel to deliver shareholder value. Having followed the business closely for some time, Zegona views Vodafone Spain with the same enthusiasm it had for Telecable and Euskaltel.

Vodafone Spain is one of the leading telecoms networks in Spain but following shifts in customer sentiment, Zegona believes the future of the business lies in right-sizing the cost and capex base in the business to the local market context, operating the assets more efficiently and driving value for money service propositions. This is a strategy which the Directors believe Zegona is well placed to execute, having developed an attractive business case and with a good track record for enacting similar changes with Euskaltel, a leading operator in the North of Spain, where Zegona delivered its main transformation programme between 2019 and 2021, and which resulted in an 87 per cent. return on Zegona's EKT Net Invested Capital, since 2015[6]. This return also benefitted from favourable movements in the Euro/pound sterling exchange rate in the relevant period.

Zegona is currently a cash shell with a long-term plan and intention to own Vodafone Spain on a long-term basis. Zegona has identified key areas where specific cost saving action could be taken in order to bring Vodafone Spain's cost base and Business Cash Flow Margin more in line with relevant peers on a benchmarked basis[7], including through taking specific cost reduction actions in areas such as subscriber acquisition costs (driving distribution away from traditional retail stores towards digital channels), bad debt collections, TV content costs, IT capital expenditure, certain technology projects, fixed wholesale access costs, personnel costs and support and other operational expenditures. Zegona's investment thesis for Vodafone Spain rests on five key pillars which the Directors believe will enable Vodafone Spain to continue to compete effectively, deliver its strategic objectives and drive shareholder value:

(1) An increasingly attractive, highly developed Spanish telecommunications market, underpinned by strong fundamentals and supported by convergence and consolidation tailwinds;

(2) Leading integrated operator with strong market positions in consumer and B2B markets, a diversified product offering and highly converged customer base across the value spectrum;

(3) High quality next generation mobile and fixed-line networks supported by strong spectrum positioning, attractive active network sharing arrangement to drive efficiency and extensive nationwide reach through wholesale agreements;

(4) Resilient cash flow, with significant upside driven by underlying growth and bottom-up revenue, cost and capex optimisation opportunities driving strong margin expansion; and

(5) Potential for Vodafone Spain to benefit from Zegona's extensive experience driving growth and cost optimisation in the Spanish market.

4.1 *An increasingly attractive, highly developed Spanish telecommunications market, underpinned by strong fundamentals and supported by convergence and consolidation tailwinds*

The prospect of entering the highly developed Spanish telecommunications market represents a compelling investment opportunity to Zegona. The Spanish economy is the fifth largest in the EU with a GDP of €1.3 trillion (source: INE) and has proven to be resilient during the recent economic challenges brought about by COVID-19 and Russia's invasion of Ukraine. The Spanish economy has a strong outlook for the coming years, with forecast growth of 1.9 per cent. per annum between 2022 and 2025 well above the European average (Source: EIU).

The Spanish telecommunications market features attractive characteristics including highly developed fixed-line and mobile services which have undergone material growth in total customer numbers and usage over the past decade, and is expected to continue to grow, underpinned by strong underlying demand, supportive regulatory policies and the highly converged customer base (Source: CNMC).

In mobile, the penetration rate continues to increase and was at 107 per cent. in 2021 compared to just 38 per cent. a decade ago (Source: CNMC). Total data traffic has also increased exponentially from 0.2 TBm in 2014 to 4.35 TBm in 2021, driven by increased data consumption through mobile devices, improved streaming services and video resolution and audio quality offerings.

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[6] For more information on the calculation of Zegona's EKT Net Invested Capital, please refer to the paragraph entitled "Non-IFRS financial information" of Part IV (*Important information*) of this Prospectus

[7] That is, a comparison of the Vodafone Spain cost base and Business Cash Flow Margin against the cost base and Cash Flow margin of Vodafone Spain's peers.

In fixed-line services, the number of high-speed consumer Fixed BB lines increased from 4.8 million in 2015 to 13.8 million in 2021 and business lines increased from 0.9 million in 2015 to 2.1 million in 2021 (Source: CNMC). This has been driven by the growing penetration of digital devices, adoption of video streaming services and the additional capacity required by mobile networks for the rollout of 5G.

Furthermore, over the past decade the Spanish telecommunications market has been characterised by a degree of consolidation and the rapid transition towards convergence, which has led to a rationalisation of the market. Both market churn and portabilities have declined materially since 2014, and converged ARPU has stabilised since Q1 2020, partially reflecting the lower churn of customers subscribing for converged services. The Directors believe that the further consolidation in the Spanish telecommunication industry, if the market moves from four main operators to three (as a consequence of the Orange/MásMóvil merger announced in July 2022) provides potential opportunities, particularly given the expected indebtedness of the combined Orange/MásMóvil group.

Price increases have been introduced by the majority of market players and certain operators in the value segment (Orange: +3.4 per cent.; MásMóvil: +1.6 per cent.; Telefónica: +6.8 per cent.; Vodafone Spain: +8.1 per cent.) in 2023. Certain operators have also reduced discounts offered on services. In addition, some operators have also introduced or have announced an intention to introduce CPI escalator clauses in new contracts.

The Orange/MásMóvil merger reported material target run-rate synergies of €450 million if such transaction was completed. The Directors also believe that if the Orange/MásMóvil merger does not complete, it may be possible to merge the Enlarged Group with MásMóvil. The Directors believe that, similar to the identified synergies between Orange/MásMóvil, there are significant opportunities for similar synergies to be achieved between MásMóvil and the Enlarged Group, particularly given the fact that both businesses have almost the entirety of their operations based out of Spain.

4.2 ***Leading integrated operator with strong market positions in consumer and B2B markets, a diversified product offering and highly converged customer base across the value spectrum***

Consumer

Vodafone Spain has approximately 4.8 million total subscribers and is well-positioned across the Consumer Mobile, Fixed BB, Fixed voice and PayTV markets in Spain and strong market share across its products, including: 19 per cent. in mobile consumer contract, 17 per cent. in Fixed BB, 20 per cent. in PayTV and 26 per cent. in mobile consumer prepaid, in each case as of December 2022.

Vodafone Spain's multi-brand strategy allows it to offer services which are tailored to the needs of different customers from premium to value sections of the market through the Vodafone, Lowi and Finetwork brands. The Vodafone Spain brand commands a premium, with customers valuing the brand's premium fixed-line, mobile, TV and digital market offering. In the context of growing demand for value offerings in the Spanish Consumer segment, Vodafone Spain's Lowi brand is well perceived by customers, with a leading NPS of 57. This is reflected in Lowi's recent marked expansion of subscribers from approximately 800,000 to approximately 1,100,000 in the last 2 financial years.

A differentiating factor of Vodafone Spain's offering in the Consumer segment compared to peers is its PayTV service. Vodafone Spain is the only player in Spain bundling most major OTT platforms including Disney+, Amazon Prime, HBO and Netflix, with a strong track record of continued expansion of its offering. The Directors believe that Vodafone Spain is therefore strategically well-positioned to continue to grow its market share in this important segment of the market.

Business

Vodafone Spain's Business segment is characterised by a diversified customer and product base, with significant market share in Mobile and Fixed BB and leading positions in SOHO and SME. Vodafone Spain is also a strong challenger in the Corporate and Public Administration segments, where new business lines in IoT, Internet Protocol Virtual Private Network ("**IP-VPN**") and Cloud and Hosting ("**C&H**") have demonstrated good growth potential, which the Directors believe will continue.

Convergence

Vodafone Spain has a strong converged offering, with over 90 per cent. of fixed subscribers converged as at 31 March 2023. Convergence is a strategic focus of Vodafone Spain and will remain so for the Enlarged Group due to the beneficial effects that a highly converged customer base brings to churn and ARPU levels. Converged offerings demonstrate: a) lower churn rates, increasing customer stickiness and value generation as convergence grows, and b) positive effects on pricing with ARPU being significantly higher for converged products compared to single-service customers.

4.3 *High quality next generation mobile and fixed-line networks supported by strong spectrum positioning, attractive active network sharing arrangements to drive efficiency and extensive reach through wholesale agreements*

Mobile network

Vodafone Spain owns and operates a leading mobile network in Spain with extensive 4G and 5G coverage supported by strong spectrum holdings and value-optimising active and passive sharing agreements. Vodafone Spain's mobile network comprises over 18,700 mobile sites, with 99 per cent. 4G and approximately 60 per cent. 5G outdoor coverage.

Vodafone Spain's mobile network has been the recipient of the umlaut connect Mobile Benchmark "Best in Test" award for seven consecutive years between 2015 and 2022.

Vodafone Spain's mobile network also benefits from sizeable spectrum holdings, with approximately 26 per cent. of total market spectrum across the high, mid and low frequencies as at 31 January 2023. Sizeable spectrum holdings allow Vodafone Spain to provide a higher quality network experience for its customers, by avoiding congestion and providing higher coverage.

In addition, Vodafone Spain benefits from a passive and active network sharing arrangement with Orange, which was most recently renewed in 2019 and which runs through to 2038, enabling network efficiencies and faster 5G deployment and infrastructure and equipment sharing arrangements entered into with Telefónica and Orange in March 2017 and July 2018, respectively.

High-speed fixed-line gigabit network

Vodafone Spain is able to offer customers access to an extensive fixed-line network through its own high-speed network and wholesale agreements with other operators. The fixed-line network supports up to 1 gigabit speeds and covers more than 28.9 million premises representing approximately 95 per cent. of Spanish households, businesses and other premises as of March 2023.

Approximately 10.7 million of these homes are supported by Vodafone Spain's owned high-speed network, of which 6.8 million were on hybrid fibre co-axial cable ("**HFC**") and 3.2 million had full fibre-to-the-home ("**FTTH**") (with an additional 0.7 million homes having converged services with both technologies) (as of March 2023). Vodafone Spain's owned network represents a significant infrastructure asset, which the Directors believe has material embedded value.18.3 million households were covered though wholesale partnerships with Telefónica, Orange and Adamo as of March 2023.

4.4 *Resilient cash flow, with significant upside driven by underlying growth and cost and capex optimisation opportunities to drive improved margins*

Vodafone Spain has demonstrated an improving cash generation profile, with Business Cash Flow, defined as Business EBITDAaL less capex (excluding license and Spectrum fees), growing between FY21 (€185 million) and FY23 (€411 million) (Vodafone Spain March year-end)[8]. This increase has been driven predominantly by a reduction in capital expenditure, principally reflecting lower network expenditure as efficiency improvements were made and the benefits from the active network sharing arrangement with Orange were realised.

The Directors see challenges faced by Vodafone Spain, including what the Directors believe to be a high-cost structure (more than 4,000 employees as at 31 March 2023 compared to 2,400 at MásMóvil as at 31 December 2022, and high spending on technology and discretionary capex (approximately €1 billion and €102 million, respectively, and in each case unaudited, in Vodafone Spain's FY23)). Further, Zegona sees operational opportunities to empower staff to make decisions and reduce bureaucracy, which the Directors believe can be achieved with proper incentives.

The Directors believe there is a clear opportunity to drive improved margins in the Vodafone Spain business. In FY23 (Vodafone Spain March year-end), Vodafone Spain's Business Cash Flow Margin was 11 per cent. and its Business EBITDAaL margin was 33 per cent., which is below the Euskaltel Cash Flow margin and EBITDAaL margin of 27 per cent. and 50 per cent. respectively achieved in the final year of

[8] A reconciliation to the nearest IFRS figure can be found in the paragraph entitled "Key Performance Indicators" of Part IV (*Important Information*) of this Prospectus.

Zegona's ownership[9] and MásMóvil's Cash Flow and EBITDAaL margins for its financial year ended 31 December 2022 of 22 per cent. and 41 per cent. respectively. Vodafone Spain's margins are also below the average of its peers (Spanish operations of Telefónica, Swedish operations of Tele2 and Vodafone Ziggo) of 24.2 per cent. in respect of their prior financial years (adjusted to reflect a March year end for all peer companies analysed). This discrepancy demonstrates the opportunity for Vodafone Spain to benefit from a new approach, implementing focused cost actions whose scale and feasibility could be illustrated by the comparable Euskaltel cost structure. Zegona Management have identified areas where the Directors believe Zegona can drive cost savings to bring Vodafone Spain's Business Cash Flow Margin closer to those delivered by Euskaltel in the final year of Zegona's ownership (the "**Zegona Improvement Plan**"). If the Zegona Improvement Plan is able to improve Vodafone Spain's Business Cash Flow Margin by 50 per cent. of the difference between Euskaltel's Cash Flow Margin in the nine months to 30 September 2020[10] and Vodafone Spain's FY23 Business Cash Flow margin (on a benchmarked basis[11]), that would represent annual cost savings of approximately €320 million.

The Directors also believe that there is opportunity for Zegona to stabilize revenues in the Vodafone Spain business. See the paragraph below entitled "*Stabilise revenues with new commercial initiatives*" for more information.

The Directors believe that Zegona Management have identified the necessary areas of potential cost savings to bring Vodafone Spain's Business Cash Flow Margin in line with peers. Following implementation of Zegona's strategic priorities and the Zegona Improvement Plan, the Directors believe Vodafone Spain will be a leaner, more efficient and operationally better company than it is now.

4.5 *Potential for Vodafone Spain to benefit from Zegona's extensive experience driving growth and cost optimisation in the Spanish market*

The Zegona Management team has a deep knowledge of the Spanish telecom market and a proven track record in executing telecom transactions, complementing the highly experienced Vodafone Spain management team. Zegona Management has been centrally involved in operating multiple telecommunication businesses, improving the business profile while delivering returns to shareholders. Further, following Completion, Zegona intends to strengthen the Vodafone Spain senior management team, including proposing José Miguel García for appointment as CEO of Vodafone Spain (which is subject to contract and any discussion on terms). More information on José Miguel García's experience in the Spanish telecommunications industry is set out below in the paragraph entitled "*Inject highly experienced senior management team*".

For example, while Zegona was the largest shareholder of Euskaltel from 2017 to 2021, and also held two board seats, it implemented fundamental changes in relation to management roles, cost savings and geographical expansion. Through its ownership, Zegona generated, at exit in 2021, an 87 per cent. return on EKT Net Invested Capital for shareholders, since 2015. This return also benefitted from favourable movements in the Euro/pound sterling exchange rate in the relevant period since 2015. Further details on the Euskaltel case study can be found in Part IX *(Information on Zegona*) of this Prospectus. Further, Zegona Management were instrumental in the delivery of 42 per cent. shareholder return in less than 2 years during Zegona's ownership of Telecable[12], where Telecable was sold to Euskaltel for €187 million in cash and a 15 per cent. stake in the combined business. The Directors believe that Zegona Management will be well placed to implement the proposed changes in the Vodafone Spain business which are expected to drive shareholder value.

Further biographical details on Zegona's senior management team and Directors can be found in Part XII (*Directors, Corporate Governance and Employees*) of this Prospectus.

Zegona strategic priorities for Vodafone Spain

The Directors believe Zegona is well placed to enact the key strategic priorities it has identified to drive shareholder value for Vodafone Spain under its ownership. The Directors believe that the key strategic priorities identified below will allow Vodafone Spain to continue to grow through improving its value proposition, increasing its market share in the value segment of the Spanish telecommunications market,

[9] Euskaltel Cash Flow margin and EBITDAaL margin for 9 months ended September 2020.

[10] Euskaltel benchmark costs based on Zegona analysis of Euskaltel costs in 9 months to September 2020, annualised by multiplying by 1.33. Euskaltel 2020 revenues €697m. Eukstaltel benchmark costs used in this section as the closest comparison given Zegona's status at the time as the major shareholder of Euskaltel.

[11] That is, a comparison of the Vodafone Spain cost base and Business Cash Flow Margin against the Euskaltel cost base and Cash Flow margin in the identified period.

[12] This return also benefitted from favourable movements in the Euro/Sterling exchange rate during the relevant period.

accelerating digitalisation, increasing operational efficiency and driving business simplification.

1. *Inject highly experienced senior management team*

As noted in paragraph 4.5 of this Part VIII (*Information about the Transaction*) of this Prospectus above, Zegona Management have a deep knowledge of the Spanish telecom market and a proven track record from the acquisition and sale of multiple telecommunications businesses in Spain, including Euskaltel and Telecable. Zegona has a strategic priority to contribute the experience of the Zegona Management team to the business to drive the required change.

In addition to Zegona Management, following Completion, Zegona proposes to strengthen the Vodafone Spain Management team, including proposing the appointment of José Miguel García, ex-Jazztel and Euskaltel CEO as CEO of the Vodafone Spain business (which is subject to contract).

José Miguel García has a strong track record of creating value in the Spanish telecommunications market, including at Euskaltel where Euskaltel's EBITDA run-rate increased by almost eight per cent. within the first six months of José Miguel García's appointment as CEO. José Miguel García was also CEO at Jazztel from 2006 to 2015, where he transformed Jazztel into a leading telecom brand with the highest NPS in Spain[13], the most highly valued customer service[14] and the highest online brand awareness[15] in each case in 2014, and was instrumental in delivering 4x revenue growth from 2006-2015 and the sale to Orange for €3.4 billion (with €2.8 billion in value creation over the period he was CEO, including adding 1.4 million broadband customers and 1.9 million mobile customers, and building revenues from approximately €278 million to approximately €1,176 million, Jazztel's EBITDA from €137 million to €216 million and Jazztel's market capitalisation from approximately €600 million to approximately €3.4 billion (Source: Jazztel annual reports and 2014 market capitalisation based on Orange offer price)). Before he joined Jazztel in 2006, José Miguel García worked mainly at Cable & Wireless in various senior roles.

Further information on Zegona Management's track record of delivering value can be found in Part IX (*Information on Zegona*) of this Prospectus.

2. *Stabilise revenues with new commercial initiatives*

Zegona also intends to work to stabilise revenues through delivering on new commercial initiatives. For example, Zegona intends to drive increases in convergence of Vodafone brand customers and increased bundling of value-added services into customer offers which is expected to increase customer loyalty, decrease customer churn and continue to stabilise and grow ARPU.

Zegona intends to focus on core service differentiators in its advertising and customer acquisition activities that work to the Vodafone brand's advantage within the Spanish market, such as focusing on the breadth of its TV content and applications, the quality of its mobile network relative to other players and its customer service excellence (including empowering its people to create a culture of customer service champions). Zegona also intends to discontinue 12-month discount periods which end at the same time customer contracts come up for renewal. The Directors believe this approach will drive customer additions, decrease churn and increase ARPU across Vodafone Spain's consumer offering.

The Directors also believe that there is strong potential to grow its market share in the value segment of the Spanish market by strengthening the Vodafone Spain value offerings such as the "Lowi" brand through leveraging areas of differentiation which other providers' value brands cannot easily replicate, such as adding 5G and TV to the Lowi offering. Further, Zegona intends to extend its distribution to match the actions being taken by competitors such as Digi and MásMóvil in order to close the gap on growth in customer numbers (Digi: approximately 40,000 customers per month; MásMóvil: approximately 15,000 customers per month, in each case in their 2022 financial year; Lowi: approximately 8,000 customers per month in the financial year ended 31 March 2023).

Zegona also intends to bring a greater focus to wholesale relationships, which made up only approximately 4 per cent. (unaudited) of Vodafone Spain revenue in the financial year ended 31 March 2023 and which delivers higher margins than other customer segments. This compares poorly to peers such as Orange and Telefónica, which both have established relationships with wholesale operators and therefore which both had significantly higher percentages of revenues from wholesale relationships in their 2022 financial years (19 per cent. and 18 per cent., respectively). Zegona will make winning sizeable wholesale contracts,

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[13] Customer surveys carried out by Brain Trust Consulting Services for Jazztel in October 2014, placed Jazztel as sector leader in terms of NPS in fixed and in the convergent offer

[14] Brain Trust Consulting Services show that, in Q4 2014, the Jazztel customer service was the most highly valued of such services by the company's own landline and convergent offer customers

[15] Jazztel annual report 2014, highest notoriety for the average of 2014

a priority in order to close the gap to Vodafone Spain's peers, albeit that to do so will require winning new customers which may already have established relationships with Vodafone Spain's peers.

Furthermore, in the SME segment, the Directors believe that Vodafone Spain may be able to benefit from the Spanish government's allocation of funding from the European Union's Recovery and Resilience Facility. The purpose of the European Union's Recovery and Resilience Facility is to enable Member States to obtain funding for sustainability and resilience programmes beneficial to their societies and economies. The Directors believe that Vodafone Spain could benefit from access to new customers who seek to access funds made available to the Spanish government under this facility. In particular, the Directors believe that Vodafone Spain can further benefit from the 'Kit Digital' programme launched by the Spanish Government, which subsidises the costs of adopting basic digital solution packages in Spanish SMEs (between 10-49 staff), such as Internet presence, electronic sales, cloud office, digital workplace, digitization of basic processes, customer management, digital marketing, and cybersecurity. The Directors believe that Vodafone Spain, through its existing relationships and strong network capabilities, is well positioned to cross-sell core business telecommunications services to customers who are seeking to access funding made available to Spain under this facility.

3. *Improve business efficiency through reducing complexity and driving productivity*

Zegona intends to simplify and drive the Vodafone Spain business away from what the Directors believe to be a complex, high-cost nature operation and has identified a number of key areas for potential cost reduction. As noted above, the Vodafone Spain Business Cash Flow Margin of 11 per cent. in the year ended 31 March 2023 is significantly lower than the Euskaltel Cash Flow margin of 27 per cent. achieved during the nine months to 30 September 2020. Zegona has identified a number of areas where Vodafone Spain's base cost is significantly higher than that of Euskaltel on a benchmarked basis[16] and therefore where specific cost saving action could be taken to bring Vodafone Spain's future Business Cash Flow Margin closer to Euskaltel's Cash Flow margin for the 9 months ended 30 September 2020.

The Directors do not believe, given the different size, geographical spread and product mix of the two businesses, that it would be possible to achieve the same cash flow margin as it was for Euskaltel. However, by way of illustration, if Vodafone Spain's Business Cash Flow Margin could be improved by 50 per cent. of the difference, that would represent annual cost savings of approximately €320 million. Please also refer to the paragraph entitled "*Market and Financial Information*" in Part IV (*Important Information*) of this Prospectus for more information on how Zegona has calculated the Euskaltel figures for the nine months ended 30 September 2020 referred to in this section.

Vodafone Spain Management has implemented certain cost saving actions during the three financial years to 31 March 20233, which have benefitted Vodafone Spain's FY23 EBITDAaL by up to €150 million. The Directors believe that further cost reduction actions may be able to be taken (or accelerated) in order to bring Vodafone Spain's Business Cash Flow Margin closer to that of Euskaltel for the nine months ended 30 September 2020.

The identified potential cost reduction actions included within the Zegona Improvement Plan include:

(a) Customer SAC: the Directors believe that Vodafone Spain's customer subscriber acquisition cost (which is a measurement of the incremental cost of adding each new customer) (""**SAC**") can be materially reduced from €339[17] (unaudited) for the year ended 31 March 2023 (approximately 38 per cent. higher than that of Euskaltel for the nine months to 30 September 2020) by taking various actions, including by driving distribution away from traditional retail stores (including by closing underperforming stores) towards customer interactions through Vodafone Spain's digital channels, such as the Vodafone.es website, Mi Vodafone App and My Lowi App;

(b) Bad Debts: outsource bad debt collection to a specialist collection agency and implement greater controls around distribution, which will seek to reduce bad debts as a percentage of revenue from 0.89 per cent. (€35 million (after taking into account a one-off €75.8 million VAT recovery on invoices that were classified as bad debts)) as at 31 March 2023, which (if calculated before taking into account the VAT recovery noted above) is 2.8 per cent, which is approximately 3.7 times higher than that of Euskaltel was for the nine months to 30 September 2020;

(c) TV Content: renegotiate content deals and use the Lowi value segment brand to expand the TV subscriber base, reducing TV content costs from €9.60 per customer (unaudited) as at 31

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[16] That is, a comparison of the relevant base costs paid by Vodafone Spain against the base costs paid by Euskaltel in the identified period.

[17] Customer SAC is a Zegona estimate which is the net SAC per equivalent gross addition, where fixed line additions are weighted at 2x mobile contract additions.

March 2023, which is approximately 2 times higher than Euskaltel's was for the nine months to 30 September 2020;

(d) IT Capex: simplify the Vodafone Spain business IT systems and networks and consolidate the business onto one IT stack to materially decrease annual spend on IT from €102 million (unaudited) in Vodafone Spain's FY23, which is approximately 6.7 times higher than that of Euskaltel for the nine months to 30 September 2020. Whilst it is to be expected that the Vodafone Spain business would have a higher IT systems and network spend than Euskaltel, given Vodafone Spain is a larger business, the Directors believe that such difference is more material than necessary;

(e) Technology Opex: cancel unproductive technology projects and continue with the implementation of a zero-based budgeting system requiring all budgets to go through full renewal processes on a yearly basis. The Directors believe this could materially decrease total spend on technology operating expenditure as a percentage of revenue from 14.1 per cent. (unaudited) in Vodafone Spain's FY23, which is approximately 80 per cent. higher than that of Euskaltel for the nine months to 30 September 2020;

(f) Fixed wholesale access: reduce network access costs by renegotiating Telefónica and MásMóvil/ Orange fees to reduce fixed wholesale access fees as a percentage of revenue from 5.2 per cent. (unaudited) in Vodafone Spain's FY23, which is approximately 18 per cent. higher than that of Euskaltel for the nine months to 30 September 2020;

(g) Personnel costs: consider a targeted redundancy programme to reduce personnel costs as a percentage of revenue from 7.1 per cent. in Vodafone Spain's FY23, which is approximately 16 per cent. higher than that of Euskaltel for the nine months to 30 September 2020; and

(h) Support/other Opex: replace current high-cost Vodafone Group services and remove non-essential activities to reduce support and other operational expenditure as a percentage of revenue from 4.3 per cent. (unaudited) in Vodafone Spain's FY23, which is approximately 40 per cent. higher than that of Euskaltel for the nine months to 30 September 2020.

4. *Implement potential fixed line "Netco" transaction*

Vodafone Spain has an extensive fixed line network with access to more than 28 million premises across Spain as of March 2023 (representing approximately 95 per cent. of the country's households, businesses and other premises). Zegona sees a potential opportunity to monetise the Vodafone Spain owned network in the future. Such opportunity could potentially take the form of either (1) a sale to an infrastructure investor, and/or (2) a combination with an existing Spanish network operator, for example Telefonica or Orange/MásMóvil, assuming that merger announced in July 2022 completes.

A sale to an infrastructure investor would likely require the investor to fund an upgrade of the Vodafone Spain fixed network to full FTTH, the cost of which is estimated by Zegona at between €600 million and €700 million (based on upgrade cost of €75 per home passed and customer transition cost of €150 per customer transitioned). By way of illustration, based on multiples of EBITDA achieved in comparable transactions, illustrative revenue for the business estimated at approximately €235 million (based on a €10 access fee per customer/per month and approximately 1.8 million "on-net" customers on the Vodafone Spain network today plus €20 million of other revenues) and a Zegona illustrative "Netco" EBITDA of approximately €175 million (based on illustrative EBITDA margin of 75 per cent. based on Zegona's estimated Netco operating costs), this implies an illustrative transaction value of approximately €2 billion[18]. Zegona has experience of undertaking this type of transaction which was pursued with Euskaltel in 2020/2021, which was not concluded due to the sale of Euskaltel to MásMóvil. This transaction, which could have resulted in a 2.4 million household network, was being negotiated at a transaction price of approximately €1.1 billion (or approximately 15x the anticipated "Netco" EBITDA in that transaction).

The Directors believe there also could be potential to merge the Vodafone Spain fixed line network with the fixed line network operated by another Spanish network operator. For example, if that were to be the combined Orange/MásMóvil group, it would form a single "Netco" covering approximately 16 million homes and providing FTTH services to a combined 7.5 million customers[19]. Zegona might target an equity share in a joint "Netco" in line with the proportion of customers contributed (which if calculated based on latest known customer numbers would be approximately 30 per cent). By way of illustration,

[18] Illustrative. Calculated by multiplying Zegona estimated EBITDA of €175m by precedent transactions valuation multiple of 15x, netting off Zegona estimated FTTH upgrade/customer migration costs of €600m - €700m

[19] Based on 2021 reported consumer customer numbers for Orange, MásMóvil and Vodafone Spain, with any wholesale customers being on top of this.

assuming approximately €900 million of estimated "Netco" revenues (based on a €10 access fee per customer/per month, a total "on-net" customer base estimated by Zegona at 7.5 million[20]) and €800 million of estimated "Netco" EBITDA (based on an EBITDA margin of approximately 85 per cent. (higher than for "standalone Netco" EBITDA margin due to higher network utilisation) based on Zegona's estimated Netco operating costs and potential scope to reduce Vodafone Spain's wholesale fixed access costs with Telefonica and Orange which were approximately €200 million in FY23 (cost per line of approximately €14 for Telefonica and approximately €12 with Orange)) and based on multiples of EBITDA achieved in comparable transactions, such metrics could imply value creation for Vodafone Spain of approximately €3.5 billion[21].

The figures and summaries of potential impacts of any "Netco" transaction on the Zegona Group and/or the Enlarged Group set out in this section are indicative and illustrative only based on Zegona's estimates and understandings of market trends and metrics as at the date of this Prospectus and are subject to, amongst other things, advice regarding the detail of the structuring of any potential transaction (including the tax impacts of any such structuring work). There is no guarantee that Zegona or the Enlarged Group would be able to implement any "Netco" transaction in a timely manner (or at all), the value or structure of any such transaction, or that the benefits or indicative and illustrative transaction metrics provided in this section will be able to be achieved in their entirety or at all. Zegona disclaims all responsibility to update investors as to the impacts of any "Netco" transaction, the value of any as set out in this Prospectus subject to any applicable legal or regulatory duty to do so.

Selected key unaudited pro-forma financial information in respect of the Enlarged Group

The unaudited Pro Forma Statement of Net Assets set out below has been prepared to illustrate the effect of the Acquisition on the net assets of Zegona as at 30 June 2023 as if the Acquisition had taken place on 30 June 2023 (the Unaudited Pro Forma Financial Information).

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position.

The Unaudited Pro Forma Financial Information does not purport to represent what Zegona's or the Enlarged Group's financial position would have been if the Acquisition had actually taken place on the date indicated nor does it purport to represent Zegona's or the Enlarged Group's financial position at any future date. See Part XVI (*Unaudited Pro-Forma Financial Information of the Enlarged Group)*.

Summary Pro Forma Statement of Net Assets

€'000	Zegona as at 30 June 2023(1)	Vodafone Spain as at 30 June 2023(2)	Net proceeds of the Offer(3)	Debt financing Adjustments(4)	Acquisition Adjustments(5)	Unaudited Pro Forma of the Enlarged Group(6)
Total non-current assets	**5,128**	**5,926,813**	**-**	**-**	**1,192,489**	**7,124,430**
Total current assets	**4,356**	**818,096**	**1,187,822**	**3,826,000**	**(5,086,564)**	**749,710**
Total assets	**9,484**	**6,744,909**	**1,187,822**	**3,826,000**	**(3,894,075)**	**7,874,140**
Total current liabilities	**327**	**1,598,867**	**-**	**-**	**13,386**	**1,612,580**
Total non-current liabilities	**-**	**4,453,388**	**900,000**	**3,826,000**	**(3,201,421)**	**5,977,967**
Total net assets	**9,157**	**692,654**	**287,822**	**-**	**(706,040)**	**283,593**

Notes

(1) The net assets of Zegona as at 30 June 2023 have been extracted, without material adjustment, from the Zegona unaudited interim financial statements for the six months ended 30 June 2023 incorporated by reference into this Prospectus.

(2) The net assets of Vodafone Spain as at 30 June 2023 have been extracted, without material adjustment from the Historical Financial Information of Vodafone Spain as at 30 June 2023, as set out in Part B of Part XIII (*Historical Financial Information*) of this Prospectus.

(3) The Company has raised £262 million (€300 million at the Exchange Rate on 9 November 2023) in gross proceeds through the issue of New Zegona Shares pursuant to the Placing at a price per New Zegona Share of 150 pence, which is subject to commissions and other estimated fees and expenses of £11 million (€13 million at the Exchange Rate on 9 November 2023), resulting in total net proceeds for the Company from the Placing of £251 million (€288 million at the Exchange Rate on 9 November 2023). The net proceeds will be used to partially fund the Acquisition, fees and expenses incurred in connection with the Transaction and for general corporate purposes.

As described in paragraph 7 of Part VIII (*Information about the Transaction*) of this Prospectus, EJLSHM Funding Limited has agreed, pursuant to the Conditional Subscription and Relationship Agreement, to subscribe for €900 million of New Zegona Shares at the Offer Price in the Conditional Subscription which forms part of the Offer. Assuming the Placing completes, the amount of the gross proceeds of the Conditional Subscription will be €900 million.

Zegona expects to recognise the gross proceeds of the Conditional Subscription as a financial liability in the Enlarged Group financial statements.

[20] Based on 2021 reported consumer customer numbers for Orange, MásMóvil and Vodafone Spain, with any wholesale customers being on top of this.

[21] Illustrative. Calculated by multiplying Zegona estimated Joint Netco EBITDA of €800m by precedent transactions valuation multiple of 15x, assuming Vodafone Spain equity share is in proportion to fixed network customers expected to be contributed (c.30 per cent.)

The Company also intends to raise gross proceeds of up to €8 million through a separate offering of New Zegona Shares at the Offer Price via the PrimaryBid Offer. The proceeds of the PrimaryBid Offer have not been reflected in the pro forma financial information.

(4) This adjustment relates to the drawdown of an aggregate of €3.9 billion from two facilities, being €3.4 billion from the Corporate Bridge Facility and €500 million from the Term Loan A Facility. The increase in Borrowings represents the drawdown of €3.8 billion net of arrangement fees of €74 million. The arrangement fees have been included as a deduction from Borrowings and will be amortised over the life of the facilities.

(5) The acquisition adjustments reflect the following: the Unaudited Pro Forma Financial Information has been prepared on the basis that the Acquisition of Vodafone Spain by Zegona will be treated as a business combination in accordance with IFRS 3 Business Combinations. Zegona expects to undertake a fair value exercise following Completion and no account has been taken of any fair value adjustments to the acquired assets and liabilities of Vodafone Spain in the Unaudited Pro Forma Financial Information or any fair value adjustment to the amount raised in the Conditional Subscription. For the purposes of the Unaudited Pro Forma Financial Information the excess of the purchase consideration over the carrying amount of net assets acquired has been attributed to goodwill. The calculation of the total consideration and adjustment to goodwill is set out below.

	€'000	***€'000***
Purchase price	5,000,000	
Vodafone cash balance	5,131	
Settlement of borrowings owed to related parties	(3,201,421)	
Settlement of receivables from related parties	81,433	
Adjustment for net working capital[A]	-	
Total consideration		1,885,143
Less carrying value of net assets acquired as at 30 June 2023		
Vodafone net assets	692,564	
Pro forma net assets acquired		
Goodwill on acquisition		1,192,489

Footnotes:

[A] An adjustment for net working capital at the completion date compared to the target net working capital in the Acquisition Agreement will only be quantified when completion accounts have been prepared. For the purposes of the pro forma statement of net assets it has been assumed that the actual net working capital at Completion is the same as the target working capital.

Other transaction costs and expenses related to the Acquisition are estimated to be €14 million (not including arrangement fees relating to the debt financing – see Note 4 above).

(6) In preparing the unaudited pro forma statement of net assets of the Enlarged Group, no account has been taken of the trading activity or other transactions of Zegona or Vodafone Spain since 30 June 2023.

5. **Principal terms of the Acquisition**

Acquisition Agreement

On 31 October 2023, the Buyer, the Company, Zegona Limited and the Seller entered into the Acquisition Agreement, pursuant to which the Buyer has agreed, subject to the terms and conditions of the Acquisition Agreement, to acquire and the Seller has agreed, subject to the terms and conditions of the Acquisition Agreement, to sell the entire issued share capital of Vodafone Spain.

Consideration

The purchase price for the Acquisition comprises €5 billion, subject to completion accounts adjustments based on the amount of debt, cash and working capital of Vodafone Spain and its subsidiaries, in each case as at Completion. The adjustments will be agreed upon by the Seller and the Buyer based upon completion accounts initially prepared by the Buyer reflecting the actual financial position of Vodafone Spain and its subsidiaries at Completion. The Seller has customary rights in relation to reviewing the draft completion accounts and to the extent the parties cannot resolve any disagreement, a final determination will be made by an independent accounting firm. Paragraph 7 below details how the consideration will be financed.

Conditions and termination

Completion is subject to the satisfaction (or waiver, where applicable) of a number of conditions including, amongst other things:

(a) the approval of the Council of Ministers (*Consejo de Ministros*) of the Spanish Government in respect of foreign direct investment into Spain;

(b) the approval of the Spanish Competition Authority (*Comisión Nacional de los Mercados y la Competencia*) in respect of Spanish merger control;

(c) the approval of the Spanish Secretariat under the Ministry of Economic Affairs and Digital Transformation of the transfer of relevant concessions for the private use of the public radioelectric domain;

(d) the European Commission having issued (or been deemed to issue) a decision in respect of the EU Foreign Subsidies Regulation (Regulation (EU) 2022/2560); and

(e) Zegona Shareholder approval being granted for (i) the allotment and issue of the New Zegona Shares in the Conditional Subscription, (ii) the Rule 9 Waiver, and (iii) the entry into and performance of the Buyback Agreement. The Acquisition is not conditional on the Placing or the PrimaryBid Offer and therefore Completion could occur without the Placing or the PrimaryBid Offer completing, and the Company would fund the consideration payable for the Acquisition entirely using the New Facilities and the proceeds of the Conditional Subscription. In such circumstances where the Company would not satisfy the requirements of Listing Rule 14.2.2(3) to have at least 10 per cent. of the Zegona Shares in public hands on Completion, the Company would notify the market of its intention to cancel its listing in accordance with Listing Rule 5.2.8.

Completion shall take place on the last business day of the month in which the last of the conditions is satisfied, provided that, if the last of the conditions is satisfied less than five business days before the last business day of the month, Completion shall take place on the last business day of the following month or such other date as may be agreed between the Buyer and the Seller.

Covenants and conduct of the Vodafone Spain business

Prior to Completion, the Buyer and the Seller have agreed, pursuant and subject to the terms and conditions of the Acquisition Agreement, to comply with a number of covenants relating to the conduct of the Vodafone Spain business prior to Completion. These include, amongst other things:

(a) trading in the ordinary course of trading; and

(b) non-trading business in the ordinary course of business as carried on during the 12 months prior to the date of the Acquisition Agreement.

Such restrictions are subject to a number of customary carve-outs so as not to restrict, amongst other things: (i) any actions required to be taken by applicable law, regulation or pursuant to pre-existing contractual obligations; (ii) any action contemplated by the terms of the Acquisition Agreement and/or required to be carried out in order to implement the Separation in accordance with the terms of the Acquisition Agreement; or (iii) any action consented to by the Buyer.

Warranties, representations and undertakings

Under the Acquisition Agreement, the Seller has given representations and warranties to the Buyer that are customary for an acquisition of this nature in relation to, amongst other things:

(a) incorporation, due organisation and power and authority to enter into the Acquisition Agreement;

(b) financial statements, tax and title to assets;

(c) material contracts and related party transactions;

(d) absence of events which would have had a material adverse effect on Vodafone Spain since 31 March 2023, absence of warranty claims;

(e) real estate, personal property, intellectual property, information technology, privacy and data security, business relationships, regulatory and legal compliance, licences and permits, employment, pensions, employee benefits, environmental matters and insurances;

(f) validity and enforceability of the obligations of such Seller under the Acquisition Agreement and other documents related to the Acquisition; and

(g) absence of material litigation.

Such warranties and representations were given on signing of the Acquisition Agreement but (save for fundamental warranties) will not be repeated on Completion.

The business warranties are subject to the disclosures made by the Seller in a disclosure letter provided to the Buyer.

Each of Zegona, Zegona Limited and the Buyer have provided certain warranties to the Seller relating to its capacity and authority to enter into and perform its obligations under the Acquisition Agreement and other Acquisition documents and compliance with anti-bribery, anti-corruption, anti-terrorism and AML laws and human rights laws.

The Acquisition Agreement contains undertakings from the Company:

(a) not to amend or waive its rights under the Conditional Subscription and Relationship Agreement, Assignment and Set-Off Deed, the subscription agreement for the issue of the Vodafone

Preference Shares, or the Buyback Agreement or the promissory note delivered by Newco without the Seller's consent or enter into any other arrangement with Newco;

(b) not to propose a resolution to its shareholders in respect of any buyback of its shares unless it has obtained a waiver from the Panel in respect of Newco's obligation to make a mandatory offer pursuant to Rule 9 of the Takeover Code to the extent required (which would only be if the holding of Newco and those acting in concert with Newco had fallen below 50 per cent.);

(c) to use reasonable endeavours to distribute or return to its shareholders any net cash proceeds following a disposal of assets which is material in the context of the Zegona Group (including a disposal of assets for consideration of over €100 million) subject to the Company retaining any cash required pursuant to its reasonable business plan requirements and satisfying the requirements of its banks as required in connection with any refinancing of its debt, provided the refinancing is on customary market terms and is required to optimise the leverage of the Buyer's group at a level which would be reasonably expected to support an investment grade credit rating from two of Standard & Poors, Moody's and Fitch;

(d) not to undertake any action or transaction which would result in: (a) Newco's rights as a shareholder in the Company being subordinated to other equity shareholders, (b) the issue of ordinary shares at more than a 10 per cent. discount to the 30-day volume-weighted average market price from time to time, (c) the creation of a new class of equity securities which have preferential rights to Newco's shares in the Company; and

(e) not to issue any ordinary shares within the twelve months immediately following Completion at a price per ordinary share of less than £1.50.

Subject to certain customary exceptions, the Seller's liability under the warranties and tax covenant is subject to the following financial thresholds and limitations:

(a) a de minimis on all warranty claims (other than claims in respect of a breach of a fundamental warranty) under the Acquisition Agreement of €5 million and a de minimis on all tax covenant claims of €5 million (meaning that any warranty claims (other than claims in respect of a breach of a fundamental warranty) and any tax covenant claims below €5 million will be disregarded for all purposes);

(b) a threshold on all warranty claims (other than claims in respect of a breach of a fundamental warranty or tax warranty) under the Acquisition Agreement of €50 million (meaning that the Seller will not be liable in respect of any warranty claim (other than for breach of a fundamental warranty) unless the amount of damages resulting from all warranty claims exceeds €50 million in aggregate). Once this threshold is reached, the Buyer is entitled to claim all amounts resulting from the warranty claims and not just the excess over that sum; and

(c) a cap on all warranty claims under the Acquisition Agreement and claims under the tax covenant of €410 million.

The ability of the Buyer to bring a claim under the warranties (other than the tax warranties and fundamental warranties) expires 12 months after Completion. The ability of the Buyer to bring a claim under the tax warranties and the tax covenant expires 3 months following the expiry of the period specified by statute during which an assessment of that liability to tax may be issued by the relevant tax authority or, if there is no such period specified by statute, the date falling 4 years after Completion. The ability of the Buyer to bring a claim under the fundamental warranties expires 2 years after Completion.

Guarantee

Zegona and Zegona Limited have each agreed to guarantee the obligations of the Buyer pursuant to the Agreement.

Deed of Tax Covenant

A deed of tax covenant will be entered into on Completion between the Seller and the Buyer (the "**Tax Covenant**"). The Tax Covenant allocates responsibility between the Seller and the Buyer for tax liabilities arising in Vodafone Spain and its subsidiaries. Broadly, the Tax Covenant operates so that the Seller is responsible (subject to exceptions) for indemnifying the Buyer for any tax liabilities that arise in the period up to Completion which were not reflected in the completion accounts provided for under the Acquisition Agreement. The Seller's liability is subject to financial and time limitations customary for a transaction of this nature and size.

Other terms

The Acquisition Agreement is governed by and construed in accordance with the laws of England and Wales. Each party to the Acquisition Agreement has agreed to accept the exclusive jurisdiction of the courts of England and Wales in relation to any judicial proceeding arising out of or relating to the Acquisition Agreement.

6. **Transitional Services Arrangements**

Intercompany Agreements

Members of the Enlarged Group and Vodafone Group will, on or prior to Completion, enter into the Intercompany Agreements which will enable the Enlarged Group to operate the Vodafone Spain business in a substantially similar manner as it was operated prior to Completion, as well as allowing Vodafone Group to continue to benefit from the support of the Enlarged Group as was provided by Vodafone Spain before Completion. The Directors believe that total costs (comprised of both fixed and variable costs) of the Intercompany Agreements in the first full financial year following Completion are not expected to exceed €110 million. Where the Enlarged Group is receiving services under any Intercompany Agreements, it will have the right (subject to any applicable minimum contract periods) to give notice to cease obtaining the services and, accordingly, to stop paying the relevant fees.

The Intercompany Agreements will include the following:

(1) TSA – for the transitional provision of consumer, business, technology, network, finance, HR, corporate functions and other support services by Vodafone Group to the Enlarged Group for a period which in most cases will not exceed two years from Completion (with the exact term depending on the service). The TSA will also govern the provision of certain services which the Enlarged Group will require on a longer-term basis, for example because they are especially complex to migrate away from existing Vodafone Group-wide support arrangements or because significant investment would be required to develop a standalone solution;

(2) PSA – access for the Enlarged Group to Vodafone Group's central procurement function, Vodafone Procurement Company S.à.r.l., for an initial period of three years from Completion (extending for further three-year periods thereafter unless terminated by either party);

(3) BLA – exclusive licence to Vodafone España, Vodafone ONO, Vodafone Servicios and Vodafone Energía (with the right to sub-license to Vodafone Spain and any of its subsidiaries) for the continued use of the Vodafone brand for a term of 10 years; and

(4) RTSA – for the transitional provision of tech networks, business customer, business IoT, partner markets and IT support services by the Enlarged Group to Vodafone Group for a period which in most cases will not exceed 2 years from completion (with the exact term depending on the service).

Vodafone Spain and Vodafone Group will also enter into Intercompany Agreements which cover:

(i) the provision by Vodafone Group to the Enlarged Group of certain facilities and services on a long-term basis, including Vodafone Group's IoT platform, "Internet in the Car" offering and telematics products, access to reciprocal roaming services agreements with local operators and the pass-through of Vodafone Group's existing carrier master services agreements;

(ii) the allocation between Vodafone Group and the Enlarged Group of revenue received from global enterprise customers following Completion;

(iii) the provision by the Enlarged Group to Vodafone Group of hosting/co-location, ethernet and fibre capacity to enable Vodafone Group's use of its own international fixed line network assets to support the normal operation of Vodafone Group's business following Completion;

(iv) the cross licensing of rights in the OneNet and Green Numbers platforms between the Vodafone Group and the Enlarged Group and ongoing co-location/hosting; and

(v) the future purchase by Vodafone Group of last-mile access service circuits in Spain from Vodafone ONO for the benefit of Vodafone Group's own customers.

Where the TSA and other Intercompany Agreements involve the provision of facilities, services and support by Vodafone Group to the Enlarged Group post-Completion, Vodafone Group is required to provide these to an appropriate standard which is consistent with previous practice.

In addition, a separation/migration plan will be agreed to document the migration of data, systems and other arrangements from Vodafone Group to the Enlarged Group during the term of the TSA to allow the Enlarged Group to move to standalone operations without reliance on Vodafone Group after the end of the TSA (other than in respect of the ongoing Intercompany Agreements). If any TSA services are not available for any reason, the Enlarged Group will not pay for these services and expects to be able to replace them with equivalent services quickly and with a minimum of disruption.

The Intercompany Agreements are all governed by English law.

Transitional Services Agreement

The material terms of the TSA are as follows:

Scope

The services under the TSA ("**TSA Services**") will be provided by VSSL to Vodafone Spain for an agreed period following Completion, the length of which will depend on the service. The details of the TSA Services are set out in schedules to the TSA. VSSL will provide the TSA Services to a standard which is defined by reference to the standard of service provision to Vodafone Spain in the 12 months prior to Completion (or, for specific longer term services, if higher, to the standard which services the same or similar to these TSA Services are provided to any relevant affiliate of VSSL in Germany, Italy or the United Kingdom).

Omitted Services

If, within six months after Completion, Vodafone Spain identifies any services which are not listed in the TSA, but which (i) are required for the ongoing operation of its business, (ii) were provided to it by Vodafone Group prior to Completion (and not specifically excluded from the scope of the TSA) and (iii) are not readily available from a third party supplier ("**Omitted Services**"), VSSL shall provide such Omitted Services as part of the TSA Services.

Term and Termination

Each TSA Service will be provided during the period set out against that TSA Service in the TSA schedules, subject to extension of that period by agreement between the parties. In most cases, the agreed service term is two years or less. Vodafone Spain may terminate the provision of any TSA Service at any time by giving at least the minimum notice period specified in the TSA. In addition, either party may terminate the TSA in whole or in part with immediate effect if the other commits a material breach (which, if remediable, is not remedied within 30 days) or becomes subject to an event of insolvency or force majeure. VSSL may also terminate any TSA Services which it ceases to provide to members of the Vodafone Group in other European markets (including at least Germany and Italy) and in the United Kingdom, subject to written notice being given to Vodafone Spain of no less than the greater of (i) 180 days, (ii) the notice period given to all or the relevant material proportion of the members of the Vodafone Group in other European markets receiving such similar service to the Service being terminated, or (iii) if such termination will (or ought reasonably be expected to) cause material disruption to Vodafone Spain or all or a material proportion of its end customers, such longer period as may be necessary to avoid such material disruption. In addition, VSSL may terminate the TSA immediately where a change of control event in respect of Vodafone España results in: (a) Vodafone España being under the control of, or within the same group as, a direct competitor of the Vodafone Group or any of its affiliates; or (b) any person acquiring control of Vodafone España who, as at the effective date of the change of control event, is: (i) subject to sanctions; and/or (ii) subject to prosecution (or who has been prosecuted) in respect of fraudulent activity in any jurisdiction; or (c) a threat to national security. Following Completion, the parties will agree a migration plan in respect of each TSA Service setting out their responsibilities to facilitate the handover of each TSA Service on expiry or termination of its provision by VSSL under the TSA.

Charges

Vodafone Spain will pay an amount in respect of each TSA Service as set out in the TSA schedules. If any Omitted Services are subsequently added to the scope of the TSA, the charges for such Omitted Services will be calculated on substantially the same basis as the methodology applied to the calculation of the charges in respect of the same or similar services (as set out in Schedule 1 of the TSA), to the extent that such amounts are reflected in the historical financial accounts of Vodafone España (or any member of the Vodafone Group) (but without any mark-up). Where no reasonable reference point is available from the historical financial accounts, the service charge for the provision of the Omitted Service shall be calculated based on the third party and internal costs reasonably incurred (or to be incurred) by VSSL in the provision of the Omitted Service (without any mark-up).

Liability

Each party's liability under the TSA is subject to an agreed financial cap and market standard exclusions and limitations. To the extent that any failure by a third party provider causes a breach of the TSA by VSSL, VSSL's liability in respect of that breach will be limited by reference to the amount which VSSL recovers from the relevant third party, subject to VSSL enforcing (or procuring that its relevant affiliate(s) shall enforce) the terms of any relevant contract with a third party (including any right to claim damages, service credits, rebates or other liquidated sums from the relevant third party) for the benefit of Vodafone Spain if the losses incurred by Vodafone Spain as a result of the relevant act or omission of the third party supplier exceed an agreed figure.

Third Party Suppliers

The provision of certain TSA Services by VSSL will require authorisation by relevant third parties, in particular software licensors. The TSA requires the parties to work together to try to obtain and maintain any such authorisations or, if this is not possible, to try to agree workarounds to preserve the benefit of the third party services for Vodafone Spain.

Brand Licence Agreement

The material terms of the BLA are as follows:

Scope

Each of Vodafone España, Vodafone ONO, Vodafone Servicios and Vodafone Energía are granted a non-transferable, non-sub-licensable (in each case, save as permitted under the BLA) licence by Vodafone Group plc (as owner of the Vodafone brand) to use the Vodafone brand for a fixed term in Spain, in connection with the operation and provision of premium offering telecommunications, pay TV and video on demand services. The licence is exclusive, subject to broad permitted uses of the Vodafone brand by the Vodafone Group. The BLA includes a right for each of the licensees to sub-license to Vodafone Spain and any of its subsidiaries without Vodafone Group plc's consent, subject to certain obligations and parameters. There is a requirement under the BLA for the Vodafone Spain to enact a brand separation plan to ensure a smooth transition away from the Vodafone brand once the term of the BLA elapses.

Term and termination

The BLA commences on Completion and continues for a term of 10 years. The BLA can be terminated by any party to it with immediate effect on written notice if another party commits a material breach (which, if remediable, is not remedied within 30 days of a notice requiring such a remedy) or becomes subject to an event of insolvency. Vodafone Group plc may also terminate the BLA with immediate effect on written notice if any of the licensees challenges the validity of the Vodafone trade marks, or causes damage or detriment to the reputation or goodwill associated with the Vodafone brand (which is not remedied within 30 days of Vodafone Group requiring such a remedy), and on the occurrence of certain other events. Run-off periods, of varying lengths, apply on termination to ensure a smooth transition away from the use of Vodafone brand to a new brand to be utilised by the Vodafone Spain Group.

Licence Fee

The non-refundable licence fee is expected to be a fixed sum that will be pre-paid prior to signing of the BLA separately from the payment of the consideration under the Acquisition Agreement.

Liability

Each party's liability under the BLA is subject to market standard exclusions and limitations.

Reverse Transitional Services Agreement

Details of the services to be provided by Vodafone Spain under the RTSA, the applicable charges and the duration of each service are contained in the schedules to the RTSA. The legal terms of the RTSA are substantially identical to those of the TSA (but in reverse, where applicable).

Procurement Services Agreement

The material terms of the PSA are as follows:

Scope

The PSA provides a framework for the Enlarged Group to enter into individual statements of work with Vodafone Procurement Company S.à.r.l. ("**VPC**") under which VPC is instructed to negotiate the purchase of certain services and deliverables for the benefit of the Enlarged Group and provide ongoing contract management services. Any agreement with a third party provider which is concluded as a result of such negotiations will be entered into by the relevant member of the Enlarged Group on its own behalf. Where any supplier is designated as exclusive under the PSA, the Enlarged Group will only contract with that supplier using VPC's procurement services; the Enlarged Group may also (subject to agreement of a statement of work with VPC) instruct VPC to provide procurement services in respect of other suppliers. To the extent that VPC has previously contracted with third party suppliers on a "buy-from" model (i.e. VPC contracting on its own behalf with a view to reselling those suppliers' products to Vodafone Spain) the existing procurement agreements between VPC and members of the Enlarged Group will continue to apply to procurement by VPC from those suppliers prior to Completion and during an agreed run-off period following Completion (the duration of which will vary depending on the relevant supplier). These existing procurement agreements will be replaced by the PSA for the purposes of new procurement processes and VPC will not enter into any agreements with third party suppliers on a "buy-from" basis following Completion.

Term and termination

The PSA will run for an initial term of three years from Completion. The PSA will automatically renew for further periods of three years following the end of that prevailing term and any subsequent three-year renewal term, unless any party gives notice to terminate at least 12 months prior to expiry of the initial term. Each party has standard rights to terminate the PSA in the event of the other's unremedied material breach or insolvency (or, in the case of VPC, that of a member of the Enlarged Group); VPC may also suspend the operation of the PSA or a statement of work while any material breach is continuing. In addition, VPC may terminate the PSA immediately where a change of control event in respect of Vodafone España, Vodafone ONO, Vodafone Servicios and/or Vodafone Energía results in: (a) such party being under the control of, or within the same group as, a direct competitor of the Vodafone Group or any of its affiliates; or (b) any person acquiring control of such party who, as at the effective date of the change of control event, is: (i) subject to sanctions; and/or (ii) subject to prosecution (or who has been prosecuted) in respect of fraudulent activity in any jurisdiction; or (c) a threat to national security.

Charges

The amounts payable to VPC under the PSA will be set as a percentage of the Enlarged Group's expenditure under each applicable third party contract. These amounts will continue to be paid to VPC for as long as any such third party contract remains in place, including after termination or expiry of the PSA. The charges will be settled in part by a prepayment to be made by the Enlarged Group, the value of which will be offset against fees for services to be provided by VPC in respect of exclusive third party suppliers in the initial three-year term.

Liability

Each party's liability under the PSA is subject to an agreed financial cap and market standard exclusions and limitations.

7. Financing Arrangements

7.1 *New Facilities*

The Company, the Borrower, Deutsche Bank AG, Filiale Luxembourg, ING Bank N.V., Sucursal en España and UniCredit Bank AG (the "**Debt Underwriters**"), among others, are party to a commitment letter dated 31 October 2023 (the "**Commitment Letter**"). Under the Commitment Letter, the Debt Underwriters have agreed to make available, (i) a term loan A facility in an aggregate principal amount up to €500 million (the "**Term Loan A Facility**") on a customary certain funds basis, (ii) a corporate bridge facility in an aggregate principal amount up to €3,700 million (the "**Corporate Bridge Facility**") on a customary certain funds basis, and (iii) a revolving credit facility in an aggregate principal amount up to €500 million (the "**Revolving Credit Facility**"), until the earliest of: (A) the date of funding of the Term Facilities (the "**Closing Date**");

(B) the date falling 9 months after the date of the Acquisition Agreement or, if the parties to the Acquisition Agreement agree to shorten the Long Stop Date under (and as defined in) the Acquisition Agreement, such earlier Long Stop Date; and (C) the Business Day following the date on which the Acquisition Agreement is terminated in accordance with its terms.

The Term Loan A Facility, Corporate Bridge Facility and the Revolving Credit Facility will be documented in a senior facilities agreement (the "**Senior Facilities Agreement**") that will contain customary representations and warranties, affirmative and negative covenants and events of default, including a financial covenant, to be tested semi-annually, based on a ratio of debt to EBITDA to be set with a customary headroom. While the Senior Facilities Agreement will contain a negative covenant restricting the payment of dividends and other distributions, it will contain a permission to make such payments, subject to there being no event of default (i) in the amount not to exceed 3.0 per cent. of the market capitalisation of the Company per annum, (ii) in an unlimited amount so long as the consolidated net leverage ratio is no higher than 2.25 to 1.00, after giving pro forma effect to the payment and (iii) in an amount of €75 million. While the Corporate Bridge Facility is outstanding, however the foregoing permissions will not be able to be utilised. The other negative covenants will restrict, among others, the ability of the Borrower and its subsidiaries to incur financial indebtedness, grant guarantees and security, and dispose of assets. These covenants become less restrictive once the Corporate Bridge Facility is fully repaid.

The Borrower will enter into a customary intercreditor agreement with the administrative agent for the Term A Loan Facility, Corporate Bridge Facility and the Revolving Credit Facility and the security agent.

Upon completion of the Offer, if the Company determines that it has sufficient resources available to it, the Company intends to elect to cancel part of the commitments under the Corporate Bridge Facility.

Term Loan A Facility

The Term Loan A Facility will be made available to the Borrower as borrower and will be secured on a *pari passu* basis with the Corporate Bridge Facility and the Revolving Credit Facility by certain collateral, which will include the shares of the Borrower, certain intercompany loans and certain bank accounts and other asset, rights and interests of the Borrower. In addition, shortly after Completion, the Term Loan A Facility will be secured by a pledge of the shares of Vodafone Spain and, subject to the limitations set forth in the agreed security principles, will be guaranteed and secured by assets of Vodafone Spain and its material subsidiaries. The final maturity date of the Term Loan A Facility will be five years after the earlier of the Closing Date and the date falling three months after the date the Commitment Letter is countersigned by the Company and the Borrower (the "**Countersignature Date**"). The Term Loan A Facility will be subject to required semi-annual amortisation payments: none in years 1 and 2; 12.5 per cent. in years 3 and 4; and 25 per cent. in year 5. It will also be subject to customary mandatory prepayment obligations, as set out under "Corporate Bridge Facility" below, although the Corporate Bridge Facility will be prepaid in priority to the Term Loan A Facility. The applicable interest will be EURIBOR plus 3.25 per cent., subject to a rating-based ratchet for a rating of BB/Ba2 or lower (with higher step-ups for a rating below BB-/Ba3).

Corporate Bridge Facility

The Corporate Bridge Facility will be made available to the Borrower as borrower and will be secured on a *pari passu* basis by the same collateral that will secure the Term Loan A Facility and the Revolving Credit Facility. The final maturity date of the Corporate Bridge Facility will be twelve months after the earlier of the Closing Date and the date falling three months after the Countersignature Date. The Borrower will be entitled to request two six-month extensions to the term of the facility (which would together extend the maturity date to twenty-four months after the earlier of the Closing Date and the date falling three months after the Countersignature Date). Each such six-month extension option will be conditional on there being no default, the making of certain representations and warranties and the payment of an extension fee. There will be no amortisation payments associated with the facility, but the facility will be subject to customary mandatory prepayment obligations, including from the proceeds of the Placing and the PrimaryBid Offer raised by Zegona up to €300 million (that is, the first €300 million of net proceeds raised in the Placing and the PrimaryBid Offer will reduce and/or cancel the amount drawn and/or committed down under the Corporate Bridge Facility by that amount), proceeds of debt incurred by the Zegona Group, the proceeds of asset disposals and insurances, and change of control, subject to certain exceptions. The applicable interest will be EURIBOR plus 2.00 per cent., subject to a higher margin if a certain minimum amount of the Corporate Bridge Facility has not been cancelled by a specified date, a rating-based ratchet for a rating of BB/Ba2 or lower (with higher step-ups for a rating below BB-/Ba3), with the applicable margin increasing on each quarterly step-up.

The Company intends to replace the Corporate Bridge Facility via alternative longer-term debt financing, subject to market conditions at the time of refinancing. See risk factor A5 "*The Enlarged Group's financial flexibility may be restricted by its level of indebtedness and/or its ability to generate sufficient cash flows to service its indebtedness or meet its financial covenants resulting in default under the Enlarged Group's debt arrangements, increases in financing costs or the inability of the Enlarged Group to refinance its debt obligations"* of Part II (*Risk Factors*) of this Prospectus.

Revolving Credit Facility

The Revolving Credit Facility will be made available to the Borrower as borrower and will be secured on a *pari passu* basis by the same collateral that will secure the Term Loan A Facility and the Corporate Bridge Facility. The final maturity date of the Revolving Credit Facility will be five years after the earlier of the Closing Date and the date falling three months after the Countersignature Date. Subject to the limitations and requirements set forth in the Senior Facilities Agreement, after the Closing Date, certain material subsidiaries of the Borrower may accede as additional borrowers to the Revolving Credit Facility. There will be no amortisation payments associated with the facility, but the facility will be subject to customary mandatory prepayment obligations, as set out under "Corporate Bridge Facility" above, although the Corporate Bridge Facility and the Term Loan A Facility will be prepaid in priority to the Revolving Credit Facility. The applicable interest will be EURIBOR plus 2.75 per cent., subject to a rating-based ratchet for a rating of BB/Ba2 or lower (with higher step-ups for a rating below BB-/Ba3).

7.2 ***The Offer***

The Company has raised £1,046 million in gross proceeds through the issue of New Zegona Shares pursuant to the Offer at a price per New Zegona Share of 150 pence (the "**Offer Price**"), the net proceeds of which will be used to partially fund the Acquisition, fees and expenses incurred in connection with the Transaction and for general corporate purposes.

Of the £1,046 million raised in the Offer, £262 million was raised in the Placing. Newco has agreed to subscribe for £785 million (€900 million at the Exchange Rate) of New Zegona Shares pursuant to the Conditional Subscription (assuming the Placing completes). The terms and conditions of the Placing were announced by the Company pursuant to the Placing Announcement.

The Company also intends to raise gross proceeds of up to €8 million through a separate offering of New Zegona Shares at the Offer Price in the PrimaryBid Offer. None of the Joint Bookrunners is acting for the Company with respect to the PrimaryBid Offer.

7.2.1 *The Placing*

The Placing is conditional on, amongst other things, (i) the lifting of the current suspension of the Zegona Shares to trading on the Main Market by Admission; (ii) Admission having occurred not later than 8.00 a.m. on 17 November 2023 (or such later time or date as the Global Co-ordinator may agree with the Company, being not later than 24 November 2023); (iii) the Placing Agreement having become unconditional in all respects and not having been terminated prior to Admission; and (iv) the passing of the resolutions (without amendment) at the General Meeting.

If any of the conditions are not satisfied or, if applicable, waived, then the Placing will not take place and any monies received in respect of the Placing will be returned to applicants without interest.

The Company and the Joint Bookrunners have entered into the Placing Agreement pursuant to which the Joint Bookrunners severally agreed, on the terms and subject to the conditions contained therein, to use reasonable endeavours to procure, as agents for the Company, subscribers for the New Zegona Shares. If any subscriber procured by the Joint Bookrunners fails to subscribe for the New Zegona Shares which they have agreed to subscribe for, the Joint Bookrunners have severally agreed, in specific proportions, to themselves subscribe for such New Zegona Shares at the Offer Price as principals. Further details of the terms of the Placing Agreement are set out in paragraph 16 of Part XX (*Additional Information*) of this Prospectus.

The Placing is not conditional on Completion and may therefore complete while the Acquisition does not. In such circumstances, the Directors' current intention is that they may seek to undertake other transactions that the Directors consider (having sought Zegona Shareholder approval) appropriate.

If the Zegona Group is unable to identify uses for the net proceeds of the Placing received by the Company at Admission which the Directors consider (having consulted with Zegona Shareholders) to be appropriate then the Company may seek to return some of the net proceeds of the Placing to Zegona Shareholders, at which point the Directors will evaluate how best, in their view, to execute such return of capital, having regard to applicable legal requirements and the Company's ongoing funding position. However, there can be no guarantee that such proceeds will be returned to Zegona Shareholders in a timely manner or at all.

7.2.2 *The Conditional Subscription*

Newco has agreed, pursuant to the Conditional Subscription and Relationship Agreement, to subscribe for €900 million of New Zegona Shares at the Offer Price (£785 million at the Exchange Rate) in the Conditional Subscription, which forms part of the Offer. Newco's funds will come from the issue of the Vodafone Preference Shares. Assuming the Placing completes the amount of the Vodafone Preference Shares will be €900 million and Newco will hold 523,240,603 Zegona Shares upon Admission and Re-Admission.

Under the Conditional Subscription and Relationship Agreement, the Company will issue the New Zegona Shares to Newco in consideration for an undertaking by Newco to pay the subscription amounts to the Company, which will be documented by a promissory note issued by Newco to the Company.

If Completion does not occur but the Placing has occurred, the Company will also have issued 523,240,603 New Zegona Shares to Newco in connection with the Conditional Subscription and Relationship Agreement. In such circumstances, the Company proposes, subject to the Company giving six months' notice to its Shareholders, to buy-back those New Zegona Shares in accordance with the terms of the Buyback Agreement (the "**Termination Buyback**") in exchange for the set-off of the promissory note issued by Newco to the Company in respect of the issue of €900 million (£785 million at the Exchange Rate) million of New Zegona Shares pursuant to the Conditional Subscription. The Company will consult with shareholders and will endeavour to implement the mechanism for the re-designation in such a way that takes into account relevant factors for shareholders which may include shareholding thresholds that could be breached by the re-designation.

In addition, to ensure that the Seller is not prejudiced by the Placing occurring after the Acquisition, Zegona has agreed with Newco that if the New Zegona Shares subscribed for by Newco are issued by Zegona to Newco pursuant to the Conditional Subscription, and the Acquisition completes before the Placing completes, Zegona will undertake a buyback of such number of New Zegona Shares as have a value (based on a price of £1.50 per New Zegona Share) equal to 50 per cent. of the amount, if any, by which the gross proceeds of the Placing received by the company exceed €400 million (capped at €100 million) (the "**Oversubscription Buyback**"). The proceeds of any such Oversubscription Buyback are expected to be used by Newco to pay the accrued preferential dividends on, or to redeem, the Vodafone Preference Shares.

In connection with the establishment of Newco, the Company intends to gift €500,000 to its sole shareholder, EJLSHM Holdings Limited ("**Topco**"), to fund the initial establishment and incorporation costs and provide Newco with working capital for fees, costs and expenses and if, necessary and available, to liquidate Newco and Topco once the Vodafone Preference Shares have been redeemed in full (and any accrued preferential dividends have been paid in full) and Newco ceases to hold any Zegona Shares.

(i) <u>Vodafone Preference Shares</u>

Vodafone Group has agreed to provide part of the funding for the Acquisition by the Seller subscribing for €900 million of Vodafone Preference Shares. Newco has undertaken to the Company pursuant to the Conditional Subscription and Relationship Agreement dated 31 October 2023, to use the entire proceeds of the subscription for the Vodafone Preference Shares by the Seller to subscribe for New Zegona Shares in the Conditional Subscription, which forms part of the Offer, and to pay the Offer Price per New Zegona Share (converted to Euro at the Exchange Rate) subscribed for by Newco to the Company upon Completion.

Newco and the Company have entered into the Conditional Subscription and Relationship Agreement, pursuant to which Newco has agreed that with effect from Admission of the New Zegona Shares issued in the Conditional Subscription, and for so long as Newco (and/or any of its associates) controls at least 30 per cent. of the issued ordinary share capital of the Company, the ongoing relationship between the Company and Newco and its associates (as defined by the Listing Rules) will be governed by the Conditional Subscription and Relationship Agreement. The Conditional Subscription and Relationship Agreement includes (amongst other things) provisions to ensure that:

- transactions and arrangements with Newco (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;

- neither Newco nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and
- neither Newco nor any of its associates will propose or procure the proposal of a shareholder resolution, which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

Newco has also irrevocably undertaken not to vote any of its Zegona Shares at any time (other than as in connection with a takeover where the consideration is in cash). Zegona Shareholders should be aware that, upon any transfer of the Zegona Shares to a third party (including the Preference Shareholder), the transferee shall be entitled to exercise the voting rights attached to those Zegona Shares in full.

Newco has agreed with the Company pursuant to the Conditional Subscription and Relationship Agreement that during (i) during the period which is six months from Completion, and (ii) at any time during which any loan or commitment under the Corporate Bridge Facility is outstanding, it will not, without the prior written consent of the Company and subject to other limited customary lock-up exceptions, sell or contract to sell, grant any option over or otherwise dispose of or encumber any Zegona Shares it holds immediately following Admission and Re-Admission (or any interest therein) or enter into any transaction with the same economic effect as any of the foregoing (the "**Lock-up Restrictions**"). The Preference Shareholder shall be entitled to transfer all but not part of the Vodafone Preference Shares to any third party (subject to: (i) that third party fulfilling certain tax-related requirements, (ii) the Preference Shareholder providing 30 days' notice to the Company and (iii) no loan or commitment under the Corporate Bridge Facility being outstanding). Following a transfer of the Vodafone Preference Shares to a party outside the Vodafone Group, Newco will be prohibited from disposing of any of its Zegona Shares for a period of six months from the date of such transfer (subject to limited exceptions and provided that such period shall not exceed the date that is three years after Completion). For the first two years following expiry of the six month lock-up period, Newco will be entitled to dispose of its Zegona Shares provided that it (i) appoints a broker from a list pre-agreed with the Company in connection with such disposal; and (ii) only disposes of the Zegona Shares in accordance with the advice of such broker to ensure that the proposed disposal does not prejudice the maintenance of an orderly market of the Zegona Shares. Such restrictions shall cease to apply after expiry of the two year period or, three years following Completion if earlier.

Pursuant to the Conditional Subscription and Relationship Agreement, Topco has also agreed not to sell, directly or indirectly, any of its shares in Newco while any loan or commitment under the Corporate Bridge Facility remains outstanding.

(ii) Further Information about Newco

Newco was incorporated and registered in England and Wales on 23 October 2023 as a private company limited by shares with the name EJLSHM Funding Limited and with registered number 15228873. Newco was formed for the purpose of the Acquisition and the Conditional Subscription and has not traded since its date of incorporation, nor has it entered into any obligations other than in connection with the Acquisition and the Conditional Subscription. Newco is owned by Topco.

Topco was incorporated and registered in England and Wales on 23 October 2023 as a private company limited by shares with the name EJLSHM Holdings Limited and with registered number 15228154. Topco was formed for the purpose of the Acquisition and the Conditional Subscription and has not traded since its date of incorporation, nor has it entered into any obligations other than in connection with the Acquisition and the Conditional Subscription. Topco is owned by Amicorp Trustees (UK) Limited, a trust corporation which holds the shares on trust for charitable purposes.

Amicorp Trustees (UK) Limited was incorporated and registered in England and Wales as a private company limited by shares and with registered number 13177141.

Newco's directors are at the date of this Prospectus Howard Kalika and Murray Scott, who are both ex-employees or directors of Zegona. Newco has agreed that, in the period between Admission and Completion, it will appoint an executive search firm to find and appoint three independent non-executive directors to the board of Newco, following which Howard and Murray will step down. The same process will be used to find any replacement candidates.

Following Completion, Newco's sole purpose will be, when it is able, to pay the preferential dividends on, and to redeem, the Vodafone Preference Shares, funded by dividends, distributions and any other cash received by Newco in respect of the Zegona Shares held by it.

Zegona has agreed with Newco that if New Zegona Shares are issued by Zegona to Newco pursuant to the Conditional Subscription, and the Placing launches but the Acquisition does not complete, Zegona will undertake the Termination Buyback. If the Acquisition does not complete and no Placing has launched, there will be no Buyback as no New Zegona Shares will have been issued to Newco. In both scenarios, the Vodafone Preference Shares will not have been issued to the Seller by Newco and Newco will cease to have any purpose.

Once the Vodafone Preference Shares have been redeemed in full (including all accrued preferential dividends), it is expected that the Board will seek the Zegona Shareholders' approval to re-designate any remaining Zegona Shares held by Newco as non-voting deferred shares with negligible economic rights. **Zegona Shareholders should be aware that the re-designation of Zegona Shares held by Newco would increase their percentage holding of ordinary shares in the capital of the Company. The Company will therefore give Zegona Shareholders at least six months' notice of such action.** The Company will consult with shareholders and will endeavour to implement the mechanism for the re-designation in such a way that takes into account relevant factors for shareholders which may include shareholding thresholds that could be breached by the re-designation.

Zegona Shareholders should be aware that if any tax is payable by Newco this may delay the point at which the Vodafone Preference Shares can be fully redeemed and therefore the point at which the Zegona Shares held by Newco will be re-designated.

<u>Key terms of the Vodafone Preference Shares</u>

The terms of the Vodafone Preference Shares will be set out in the articles of association of Newco. The key terms are as follows:

(a) the total aggregate subscription value of the Vodafone Preference Shares which will be authorised by Newco is an amount equal to €900 million. Assuming the Placing completes, the amount of the Vodafone Preference Shares will be €900 million;

(b) the redeemable preference shares will be issued in denominations of €1 and be denominated in Euros;

(c) the redeemable preference shares will not have any voting rights, nor the right to attend or participate at any general meeting of Newco;

(d) the redeemable preference shares will be redeemable by Newco at any time (subject to it having sufficient cash to redeem the redeemable preference shares and distributable reserves of at least the same amount);

(e) the redeemable preference shares will be automatically redeemed on the earlier of (i) six years after their date of issue and (ii) the third Business Day following the disposal by Newco of all of its Zegona Shares (in each case subject to it having sufficient cash to redeem the redeemable preference shares and distributable reserves of at least the same amount);

(f) dividends on the Vodafone Preference Shares will accrue at a rate of 5 per cent. per annum for the first three years, increasing to 10 per cent. in the fourth year, 12.5 per cent. in the fifth year and 15 per cent. in the sixth year and thereafter. Dividends will accrue daily based upon a 365-day year (or a 366-day year in a leap year). The dividend rate will not increase in any other circumstances;

(g) Newco will be permitted to pay accrued dividends at any time;

(h) the Vodafone Preference Shares will not be subject to any financial covenants and will have typical anti-dilution protections;

(i) the Vodafone Preference Shares will require Newco to use a recruitment consultant to find replacement directors and all directors will need to abide by restrictions on conflicts of interests; and

(j) the articles of association of Newco will contain a general obligation on Newco to apply cash it receives to pay the accrued preferential dividends on, or redeem, the Vodafone Preference Shares, subject to maintaining a minimum working capital balance and having sufficient distributable reserves.

Topco has undertaken in the subscription agreement relating to the Vodafone Preference Shares to pass all approvals required to permit payments of dividends or other distributions to be made and to not approve the issue of any equity in Newco (other than ordinary shares which are issued to the Newco Shareholder). It has also agreed not to dispose of any of Newco's shares until the Vodafone Preference Shares have been redeemed, to remove any director who acts in breach of Newco's articles of association and not to amend the articles of association without the consent of the Preference Shareholder.

The Preference Shareholder shall be entitled to transfer all but not part of the Vodafone Preference Shares to any third party (subject to: (i) that third party fulfilling certain tax-related requirements, (ii) the Preference Shareholder providing 30 days' notice to the Company, and (iii) no loan or commitment under the Corporate Bridge Facility being outstanding). Following a transfer of the Vodafone Preference Shares to a party outside the Vodafone Group, Newco will be prohibited from disposing of any of its Zegona Shares for a period of six months from the date of such transfer (subject to limited exceptions and provided that such period shall not exceed the date that is three years after Completion). For the first two years following expiry of the six month lock-up period, Newco will be entitled to dispose of its Zegona Shares provided that it (i) appoints a broker from a list pre-agreed with the Company in connection with such disposal; and (ii) only disposes of the Zegona Shares in accordance with the advice of such broker to ensure that the proposed disposal does not prejudice the maintenance of an orderly market of the Zegona Shares.

Pursuant to the terms of an assignment and set-off deed dated 31 October 2023 and entered into between, amongst others, the Company, Newco, Zegona Limited and the Seller, each of the Seller, Newco, the Buyer and its parent undertakings (including the Company) have agreed that, immediately following Completion, the amount receivable by Newco from the Seller pursuant to the subscription agreement relating to the Vodafone Preference Shares will be assigned to the Company, in satisfaction of its undertaking to pay the subscription price payable to the Company under the Conditional Subscription and Relationship Agreement and the Company shall subsequently contribute the receivable to its subsidiary undertakings such that it is owed to the Buyer whereupon it will be set-off against part of the Buyer's obligation to pay the consideration payable to the Seller pursuant to the Acquisition Agreement.

(iii) Rule 9 Waiver

Immediately following Admission, Newco will hold 73.85 per cent. of the Zegona Shares (assuming the Placing completes). Consequently, under Rule 9 of the City Code, Newco would ordinarily be required to make a cash offer to all Zegona Shareholders to acquire their Zegona Shares. The Panel has agreed to waive the obligation to make a general offer under Rule 9 of the City Code that would otherwise arise as a result of Newco holding more than 30 per cent. of the Zegona Shares as at Admission, subject to the approval of more than 50 per cent. of the voting rights in Zegona held by independent Zegona Shareholders (the "**Rule 9 Resolution**"). Accordingly, the independent Zegona Shareholders will be asked to approve the Rule 9 Resolution at the General Meeting. Because each member of the board of directors of Newco is also a Director, the Directors will not be entitled to vote on the Rule 9 Resolution. Newco and persons acting in concert with it are also not eligible to vote on the Rule 9 Resolution. Newco's subscription for New Zegona Shares pursuant to the Conditional Subscription and Relationship Agreement is, therefore, conditional on the passing of the Rule 9 Resolution at the General Meeting. Further details regarding the Rule 9 Resolution will be set out in the circular published by the Company on 31 October 2023.

Due to the size of its shareholding at Admission, Newco will be deemed a controlling shareholder for the purposes of the Listing Rules. Whilst not a requirement of the Listing Rules, given the Company's listing on the standard listing segment of the Official List, the Conditional Subscription and Relationship Agreement will also serve as a relationship agreement to ensure the Company will be able to carry on as an independent business for the purpose of the Listing Rules.

The relationship provisions of the Conditional Subscription and Relationship Agreement will take effect on Admission and will continue in force unless and until Newco and its associates (as defined in the Listing Rules) cease to own at least 30 per cent. of the Zegona Shares.

If the Rule 9 Resolution is passed at the General Meeting, this would not restrict Newco from making a general offer for Zegona in the future.

7.2.3 *PrimaryBid Offer*

The Company also intends to raise gross proceeds of up to €8 million through a separate offering of New Zegona Shares at the Offer Price in the PrimaryBid Offer.

None of the Joint Bookrunners is acting for the Company with respect to the PrimaryBid Offer.

7.2.4 *General*

The Existing Zegona Shares will be diluted by the issue of the New Zegona Shares. Assuming the maximum number of New Zegona Shares are issued and there are no other changes to Zegona's share capital between the date of this Prospectus and Admission, Existing Zegona Shareholders who do not participate in the Placing and the PrimaryBid Offer will suffer dilution of approximately 99 per cent. to their shareholdings in the Company.

Applications will be made to the FCA and the London Stock Exchange, respectively, for the New Zegona Shares to be admitted to the standard listing segment of the Official List and to trading on the Main Market. The earliest date for settlement of such dealings will be 17 November 2023. Admission is expected to take place and unconditional dealings in the New Zegona Shares are expected to commence on the London Stock Exchange at 8.00 a.m. on 17 November 2023. Dealings on the London Stock Exchange before Admission will only be settled if Admission takes place.

As the Acquisition is classified as a reverse takeover under the Listing Rules, upon Completion, the admission of all of the Zegona Shares in issue immediately prior to Completion to the standard listing segment of the Official List and to trading on the Main Market will be cancelled and applications will be made to the FCA and the London Stock Exchange, respectively, for the re-admission of the those Zegona Shares, including the New Zegona Shares, to the standard listing segment of the Official List and to trading on the Main Market.

For further information on the Offer and the PrimaryBid Offer, please refer to Part XIX (*The Offer*) of this Prospectus. For further information on the Conditional Subscription and Relationship Agreement, please refer to paragraph 16 of Part XX (*Additional Information*) of this Prospectus.

8. **Overseas investors**

The availability of the New Zegona Shares under the terms of the Offer or the PrimaryBid Offer to persons not located in the UK may be affected by the laws of the jurisdiction where they are located. Such persons should inform themselves about and observe any applicable requirements. For further details in relation to investors not located in the UK, including investors who are located in the U.S. or are U.S. Persons, see the paragraph entitled "Selling restrictions and notice to overseas investors" of Part XIX (*The Offer*) of this Prospectus.

9. **Taxation**

Certain information about UK and U.S. taxation in relation to the New Zegona Shares is set out in Part XVIII (*Taxation*) of this Prospectus. If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent tax adviser without delay.

PART IX. INFORMATION ON ZEGONA

The selected historical financial information and other historical financial information in relation to the Zegona Group in this Part IX (Information on Zegona) has, unless otherwise stated, been extracted without material adjustment from the audited consolidated accounts of the Zegona Group for the years ended 31 December 2022, 2021 and 2020 and the six month periods ended 30 June 2023 and 2022 incorporated by reference in Part A (Historical Financial Information of the Group) of Part XIII (Historical Financial Information) of this Prospectus.

Investors should read the whole of this Prospectus and the documents incorporated herein by reference and should not just rely on the information set out in this Part IX (Information on Zegona). In particular, the attention of prospective investors is drawn to Part II (Risk Factors) of this Prospectus which contains a summary of the risk factors relating to an investment in the Company.

1. **History and Overview**

Zegona was established in 2015 with the objective of investing in businesses in the European TMT sector and improving their performance to deliver attractive shareholder returns. Zegona's objective is to acquire businesses with a 'Buy-Fix-Sell' strategy, although Zegona intends to be a long-term holder of Vodafone Spain.

Zegona seeks to provide shareholders with an attractive total return, primarily through appreciation in the value of Zegona's assets. Zegona's strategy focuses on making investments in strategically sound businesses within the European TMT sector that require active change to realise their full value, creating significant long-term returns through fundamental business improvements. The main elements of Zegona's strategy are set out below but the overall approach is to deal with each opportunity and situation individually as it arises. For example, in the case of Zegona's investment in Euskaltel, Zegona's successful strategy was to increase its ownership position and work constructively with the Euskaltel Board and management to improve the performance of the business and make it more attractive to potential buyers, encouraging industry consolidation. Zegona was able to use its position as the largest shareholder and on the Euskaltel Board of Directors to implement fundamental changes in relation to management roles, cost savings and geographical expansion, achieving annual cost savings of €40 million between 2018 to H1 2020, and achieving an 87 per cent. return on EKT Net Invested Capital[22] for Zegona Shareholders since 2015 upon completion of the acquisition of Euskaltel by MásMóvil in 2021 through a return of capital of £335 million. This return also benefitted from favourable movements in the Euro/pound sterling exchange rate in the relevant period since 2015.

Zegona evaluates potential investments using a disciplined set of financial and strategic criteria. Zegona focuses on:

- Target businesses with an enterprise value of typically £1-5 billion, although Zegona may deviate outside of this range if it believes the returns are sufficiently attractive;
- TMT, network-based communications and entertainment businesses, primarily in Europe;
- Strategically sound businesses with established market positions and limited expected downside risk, but which have scope for fundamental improvement that is realistically achievable;
- Appropriate financial leverage (usually 3-4 times EBITDA); and
- Multiple viable value realisation options pre-identified.

Many businesses across the TMT sector currently deliver sub-optimal returns which could be significantly improved. Zegona works with management to deliver fundamental business improvements, such as:

- Changing the business market positions;
- Being actively involved in the management of the businesses to drive operational improvements;
- Instilling strong discipline around cost efficiency;
- Investing in products, services and other value-accretive activities to drive top line growth;
- Focusing on operating profitability and cash generation;
- Ensuring a balanced and efficient capital structure;

[22] For more information on the calculation of Zegona's EKT Net Invested Capital, please refer to the paragraph entitled "Non-IFRS financial information" of Part IV (*Important information*) of this Prospectus.

- Innovative techniques to separate and monetise infrastructure assets; and
- Value enhancing bolt-on acquisitions/divestments.

Buyer interest is stimulated as the performance of each investment improves, providing Zegona with a range of options to crystallise the value it has created:

- Zegona identifies the optimal time to crystallise the value it has created, with flexibility to adapt to market changes and other opportunities, to maximise shareholder value;
- Zegona's publicly listed structure allows Zegona Shareholders to realise value at any time and provides multiple options for value crystallisation by its shareholders; and
- Following a successful crystallisation, any surplus value will be reinvested or returned to Zegona Shareholders.

2. **Euskaltel case study**

Timeline

In August 2015, Zegona completed the acquisition of Telecable, the leading quadplay cable telecommunications operator in the Asturias region in Spain, for an enterprise value of €640 million which was consequently acquired by Euskaltel in May 2017 for an enterprise value of €701 million. Through the sale, Zegona became a 15 per cent. stakeholder in Euskaltel and appointed one member to the board of directors of Euskaltel.

In April 2019, Zegona increased its stake in Euskaltel from 15 per cent. to approximately 21 per cent., raising and investing more than €100 million and becoming the largest shareholder and appointed Eamonn O'Hare alongside Robert Samuelson on the board of Euskaltel.

In March 2021, MásMóvil Ibercom, S.A.U. (a wholly owned subsidiary of MásMóvil) announced an offer to acquire Euskaltel at an enterprise value of €3.5 billion, with Zegona realising a return on EKT Net Invested Capital of 87 per cent. for its shareholders, since 2015. Zegona returned £335 million to its shareholders via a return of capital following completion of the acquisition. This return also benefitted from favourable movements in the Euro/Sterling exchange rate in the relevant period since 2015.

Zegona strategy and operational improvements achieved in Euskaltel case

At the time it acquired Telecable, Euskaltel was a regional cable and fibre operator in Spain with a utility-like culture. Euskaltel's M&A strategy did not achieve the desired integration benefits and customer numbers were declining along with revenues and profitability.

Once it became Euskaltel's largest shareholder, Zegona implemented fundamental changes in relation to management roles, cost savings and geographical expansion, including:

- **Management changes:** José Miguel García, former CEO of Jazztel, was hired along with other core members of the former Jazztel leadership team who had a proven track record of delivering €2.8 billion of value creation through the €3.4 billion sale of Jazztel to Orange in 2015. José Miguel García, together with Zegona Management at the time, increased Euskaltel's EBITDAaL run-rate by almost 8 per cent. within the first six months of his appointment.
- **Cost savings**: a single efficient operating platform was created to manage the three regional brands of Euskaltel and, from 2018 to H12020, drove annual cost savings of €40 million, including through investment in the online sales strategy and processes digitalisation.
- **National expansion**: partnered with the well-known Virgin brand as a premium offering coexisting alongside Euskaltel, and increased addressable premises from 2.5 million in 2019 to over 20 million by 2021.

Results delivered by Zegona strategy in Euskaltel

As the leading shareholder, with positions on the Board of Directors, and through the "major change programme" it initiated at Euskaltel, Zegona was able to:

- Accelerate top line growth through record customer net adds in the period from 2019 until the sale of the business in 2021.
- Achieve annual cost savings of €40 million between 2018 to H12020, representing more than 20 per

cent. of Cash Flow in Euskaltel's financial year ended 2020.

- Create value for Zegona Shareholders by generating an 87 per cent. return on EKT Net Invested Capital since 2015 as at the sale of the business and 64 per cent. share price increase against STOXX European Telecom Index. This return also benefitted from favourable movements in the Euro/Sterling exchange rate in the relevant period since 2015.

3. Dividend Policy

Capacity to pay dividends

Zegona intends to pay a stable initial dividend in the first two financial years following Completion. The New Facilities entered into in connection with the Transaction enable Zegona to pay a limited dividend and Zegona is targeting an initial level of dividend which would provide a yield of 2 per cent. per annum based on the Offer Price in this initial period (this is a targeted level only and cannot be guaranteed as it will depend on, amongst other things, the performance of the business and regulatory and financing requirements). Thereafter, Zegona intends to pay a progressive dividend subject to target net leverage and other financial commitments and regulatory requirements.

Zegona's ability to pay dividends is limited under English company law, which limits a company to only paying dividends to the extent that it has distributable reserves available for this purpose and subject to the other requirements of the Companies Act. As a holding company, Zegona's ability to pay dividends in the future is affected by a number of factors, most importantly the Zegona Group's ability to receive sufficient dividends from Vodafone Spain or any subsidiary or investment it may acquire in the future. With respect to Vodafone Spain, payment of such dividends is subject to legal and regulatory requirements and other restrictions under Spanish law, including, but not limited to, applicable tax laws. In addition, the financial condition and operating requirements of Vodafone Spain may limit the Zegona Group's ability to obtain cash from Vodafone Spain. These laws and restrictions could limit the payment of future dividends and distributions by Vodafone Spain to the Zegona Group, which could restrict Zegona's ability to pay a dividend to holders of the Existing Zegona Shares or the New Zegona Shares. Zegona can therefore give no assurance that it will be able to pay dividends going forward or as to the amount or timing of such dividends, if any.

Current trading and prospects

Since 30 June 2023, the Zegona Group has continued to perform broadly in line with its expectations for 2023, with no significant variations in key financial or operating metrics.

The Directors are confident about the prospects of the Zegona Group going forward and expect that it is well placed to implement the strategies identified by the Directors to continue to grow the business.

PART X. INFORMATION ON VODAFONE SPAIN

The selected historical financial information and other historical financial information in relation to Vodafone Spain in this Part X (Information on Vodafone Spain) has, unless otherwise stated, been extracted without material adjustment from the audited consolidated accounts of Vodafone Spain for the years ended 31 March 2023, 2022 and 2021 and the three month periods ended 30 June 2023 and 2022 set out in in Part B (Historical Financial Information of Vodafone Spain) of Part XIII (Historical Financial Information) of this Prospectus.

Investors should read the whole of this Prospectus and the documents incorporated herein by reference and should not just rely on the information set out in this Part X (Information on Vodafone Spain). In particular, the attention of prospective investors is drawn to Part II (Risk Factors) of this Prospectus which contains a summary of the risk factors relating to an investment in the Company and, following Completion, the Enlarged Group.

1. Vodafone Spain Business Overview

Vodafone Spain provides fixed-line, mobile, TV and digital market services delivering voice, data and value–added services to approximately 13.5 million mobile customers and 2.9 million fixed broadband customers as at 31 March 2023 and has approximately 19.7 per cent. total revenue market share as at 31 December 2022. Over the past three financial years ended 31 March 2021, 2022 and 2023, Vodafone Spain had the following number of customers across the below range of service offerings:

(EoP '000s)	FY23	FY22	FY21
Mobile Customers	13,490	13,590	13,244
Contract Mobile Customers	11,089	11,416	11,418
Prepaid Mobile Customers	2,401	2,174	1,826
Fixed Broadband Customers	2,908	3,029	3,193
TV Customers	1,459	1,515	1,560
Consumer Converged Customers	2,185	2,212	2,302

Source: Vodafone Group published results.

It operates a nationwide next-generation mobile network supported by strong spectrum holdings and a nationwide fixed–line network, delivered through a combination of owned and wholesale infrastructure.

The business caters to both the Consumer and Business markets and has achieved an increasingly converged customer base, with approximately 75 per cent. of fixed broadband subscribers buying bundled and converged products driving higher ARPU and a lower level of churn. Through its Consumer segment, Vodafone Spain generated €2,453 million (unaudited) of consumer total revenue in FY23 representing approximately 63 per cent. of total revenue and through its Business segment, Vodafone Spain generated €1,292 million (unaudited) of business total revenue in FY23 representing approximately 33 per cent. of total revenue.

2. Corporate history

The predecessor of Vodafone Spain operated under the name of Airtel Móvil. It launched its commercial operations in 1995 after securing a GSM mobile telephony licence in 1994. By 1997, Airtel Móvil had reached the one million customer mark. In January 2001, Vodafone Group completed its acquisition of Airtel Móvil, which was subsequently renamed Vodafone Spain. The key milestones of Vodafone Spain following its acquisition are:

- September 2007: Vodafone Group agreed, and subsequently completed, the acquisition the Spanish businesses of Swedish telecommunications group Tele2, enabling the provision of Fixed BB services to Spanish customers.
- July 2014: Vodafone Group completes its acquisition of ONO, providing a significant advantage to Vodafone Spain's FTTH build programme with Orange.
- December 2014: Vodafone Spain launches Lowi, a low-cost mobile virtual network operator.
- March 2017: Vodafone Spain reaches a commercial agreement for wholesale access to Telefónica's fibre network, enabling fixed services with downlink speeds of 1Gbps. This access agreement with Telefónica is subject to renewal at the end of 2024 and extends for successive one year periods unless terminated with at least 6 months' notice.

- July 2018: Vodafone Spain acquires 90MHz of contiguous spectrum in the 3.7GHz band to deploy 5G mobile services.
- April 2019: Vodafone signs a new mobile and fixed network sharing agreement with Orange to enable faster deployment of 5G over a wider geographic area in Spain.
- May 2019: Vodafone Spain launches Finetwork, a low-cost reseller of mobile and broadband services.
- June 2019: Vodafone Spain launches the first commercial 5G network in 15 cities.
- December 2022: Vodafone Spain acquires 400 MHz of spectrum in the 26 GHz band during the last 5G spectrum auction

3. **Vodafone Spain's segments**

Consumer segment overview

The business caters to both the Consumer and Business markets and has achieved an increasingly converged customer base, with 53 per cent. of total subscribers buying bundled and converged products driving higher ARPU and a lower level of churn. Through its Consumer segment, Vodafone Spain generated €2,453 million (unaudited) of consumer total revenue in FY23 representing approximately 63 per cent. of total revenue.

Vodafone Spain has approximately 4.8 million total subscribers and is well-positioned across the Consumer Mobile, Fixed BB, Fixed voice and PayTV markets in Spain with customer market share of 19 per cent. in mobile consumer contract, 17 per cent. in Fixed BB, 20 per cent. in PayTV and 26 per cent. in mobile consumer prepaid as of 31 December 2022.

The customer base is highly converged, with approximately 60 per cent. of the customer base purchasing more than one product and 27 per cent. of the customer base purchasing quadplay packages.

Vodafone Spain markets products to consumers via a multi–brand strategy, allowing it to provide converged offerings to both the premium end of the Spanish market with the Vodafone brand and to the value end with the Lowi and Finetwork brands. Vodafone Spain also provides bulk SMS services and mobile handsets to business customers. The brands provide similar levels of service quality for the services they offer in common. However, the value segment brands do not offer certain premium services such as PayTV, 5G or sales of handsets.

Vodafone brand

Vodafone is Vodafone Spain's premium brand, focused on offering superior products, which include (as of 30 June 2023):

- Mobile: high-quality 4G and 5G prepaid and postpaid mobile offering, including unlimited data and phone plans.
- Fixed BB: high-speed 1Gbps fibre broadband internet.
- PayTV: a significant aggregator of films and series in Spain with more than 80,000 titles.

The Vodafone brand is strongly focused on the provision of differentiated PayTV content via agreements and OTT services, servicing 1.5 million customers (as of March 2023) and offering 1.2 million physical boxes (as of March 2023). Vodafone integrates all major OTT platforms, which include HBO Max, Disney+, Amazon Prime Video, Filmin, Movistar Plus+, Netflix, AMC+ and ATRESplayer Premium, in the Spanish market and has a strong track record of continued expansion of content offering through partnerships such as Filmin. Vodafone Spain is also the only PayTV platform in Spain offering Netflix and HBO Max, with Vodafone Spain's exclusivity relating to HBO Max expiring on 1 January 2024.

The Vodafone brand had 2.6 million customers (as of 31 March 2023) and generated €1,577 million (unaudited) of revenue in FY23 (Vodafone Spain March year-end), representing approximately 80 per cent. of total consumer contract customer revenue. Converged customers represented approximately 59 per cent. of Vodafone brand customers in March 2023, with such proportion steadily increasing from approximately 58 per cent. in September 2021. The brand has market share (as of 31 December 2022) across Mobile (13 per cent.), Fixed (12 per cent.) and PayTV (20 per cent.).

Vodafone brand's ARPU has recently shown signs of stabilisation and growth, reaching €49.6/month in the three months ended 31 March 2023 (compared to €48.8/month for the three months ended 31 March 2022).

Customer churn has decreased to 20 per cent. in Q4 FY23 (Vodafone Spain March year-end) (from 23 per cent. in the three months ended 31 March 2023 (compared to 23 per cent. for the three months ended 31 March 2022) driven by increased efforts to protect the customer base including improvements to customer services, personalised offers and other operational improvements.

Lowi brand

Lowi is Vodafone Spain's digital value brand, focused on providing high-value, lower-cost mobile and fixed broadband, with products including (as of August 2023):

- Mobile: 4G and 5G mobile coverage with unlimited phone plans and limited data plans up to 100GB.
- Fixed BB: high-speed broadband internet with speeds up to 1GB.

The Lowi brand had 1.1 million customers as of February 2023, having grown by approximately 800,000 customers from FY21 and generated €281 million (unaudited) of revenue in FY23 (Vodafone Spain March year-end), representing approximately 14 per cent. of total consumer contract revenue.

Lowi's share of converged customers increased from 36 per cent. in September 2021 to 46 per cent. in March 2023, showing strong capability to convert clients into bundle customers. The Directors believe Lowi continues to have strong potential for growth given its current under-penetration in the Mobile and Fixed markets, where it had 5 per cent. and 4 per cent. market share, respectively, as at December 2022.

Lowi has shown strong growth in customer numbers over the three financial years ended 31 March 2021, 2022 and 2023, however growth has slowed recently due to aggressive pricing strategies implemented by competitors, which has also resulted in decreased ARPU. Churn has also increased in recent months due to an increase in sales made through the multi-brand retail channel is more relaxed, which led to lower quality additions and hence more early churn.

Finetwork brand

Finetwork is a low-cost fibre and mobile service provider. It resells Vodafone Spain telecommunications services, leveraging Vodafone Spain's infrastructure.

- Mobile: 4G mobile coverage with unlimited phone plans and limited data plans up to 100GB.
- Fixed BB: high-speed broadband internet with speeds up to 600Mbps.

Under the terms of the commercial cooperation agreement, Finetwork is responsible for customer acquisitions and promotes and markets on behalf of Vodafone Spain, but under its own brand name. Finetwork owns the customer relationship and is responsible for all billing, customer service and management at its own cost. Vodafone Spain pays Finetwork a fixed fee per new registration as well as a percentage of the recurring fees thereafter. Vodafone receives the ongoing customer contract payments as a pass through from Finetwork. The current contractual relationship with Finetwork expires in April 2025. Following Completion, the Enlarged Group may consider engaging with Finetwork as an MVNO rather than continuing the current relationship (which could be implemented either before or after the current arrangement expires), but no decision has been taken in relation to this as at the date of this Prospectus.

Vodafone Spain has leveraged Finetwork to establish its presence in the affordable segment of the fibre market.

Over the last two financial years, the Finetwork customer base has increased by more than three times, from approximately 157,900 (as of 30 April 2020) to approximately 500,000 (as of 28 February 2023) due to its strategy of acquiring smaller distributors and subsequently their customers. Finetwork generated €115 million (unaudited) of consumer contract total revenue for Vodafone Spain in FY23 (Vodafone Spain March year-end), representing approximately 6 per cent. of consumer contract total revenue.

The brand focuses on local fibre operations and had a market share of 2 per cent. in the Mobile and 1 per cent. in the Fixed market as at December 2022. Finetwork's ARPU has decreased in the financial years ended 31 March 2022 and 2023 due to the pricing pressures at the value end of the market (which also affected Lowi), and churn has increased due to Finetwork's customer acquisition model, where Finetwork manages the customer acquisition process and therefore Vodafone Spain has less control over these customers.

Business segment overview

Vodafone Spain offers a comprehensive portfolio of products and services including connectivity services such as mobile, fixed and new businesses such as IoT, IP-VPN and C&H. Vodafone Spain also provides bulk SMS services and mobile handsets to business customers. Through its Business segment, Vodafone Spain generated €1,292 million (unaudited) of business total revenue in FY23 representing approximately 33 per cent. of total revenue.

In addition to Mobile, Fixed BB and PayTV offerings, Vodafone Spain also sells a broader range of innovative services under its New Business segment. These services comprise an advanced, flexible and innovative portfolio of digital solutions for businesses, including IoT, IP-VPN, and C&H. Vodafone Spain also has partnerships with tech consultancy sector leaders including Accenture, Atos, Deloitte, Cisco, Foxway, Google, Microsoft, Samsung and Unisys.

Vodafone Spain addresses businesses of all sizes, from SOHOs, SMEs, larger corporates to public administrations:

- SOHO – 29 per cent. (unaudited) of FY23 Vodafone Spain Business revenue. This vertical is geared towards small businesses or self-employed professionals which require basic telecommunication services and solutions including broadband and voice. In addition, Vodafone Spain provides advanced digital solutions, adapted to the needs of SOHO customers, including 'Connected Office', a comprehensive solution to work from anywhere, at any time and in a secure environment. Vodafone Spain also provides dedicated customer service by assigning each customer a specialised advisor to ensure they have a single point of contact for addressing their needs.
- SME – 29 per cent. (unaudited) of FY23 Vodafone Spain Business revenue. Vodafone Spain offers the type of advanced telecommunications solutions typical of large corporations, but adapted to the size and needs of medium-sized enterprises to allow these customers to develop and go digital. Examples include the 'Augmented Connectivity' solution, an advanced connectivity and integrated security solution for SMEs with which Vodafone Spain provides advanced connectivity, security and teleworking functionalities, or technology solutions packages for SMEs.
- Corporate – 22 per cent. (unaudited) of FY23 Vodafone Spain Business revenue with 46 per cent. (unaudited) of revenues derived from new business services. Vodafone Spain is a key challenger for corporates, with a number of significant wins in FY23 (Vodafone Spain March year-end). Vodafone Spain offers more complex and customisable solutions to large-scale organisations which have significant operational requirements and a higher demand for telecommunication services. Services offerings include connectivity solutions, voice services, network security, IP-VPNs, and other managed services.
- Public Administrations – 12 per cent. (unaudited) of FY23 Vodafone Spain Business revenue; with 50 per cent. (unaudited) of Public Administrations revenues derived from new business services. Vodafone Spain has continued to win additional public administration customers in FY23 (Vodafone Spain March year-end). The segment has demonstrated significant growth from services beyond connectivity, with 50 per cent. of its revenue in FY23 (Vodafone Spain March year-end) derived from new business services. Vodafone Spain offers government entities and organisations at various levels its knowledge, infrastructure and technologies to meet their needs and help them be prepared for the digital era with connectivity and management solutions for a digital society. Public Administrations clients include, among others, schools, hospitals and public safety organisations with unique requirements concerning connectivity services, voice, network infrastructure, e-government services and other services and applications. An example of such an application is "Connected Citizens", a communications tool designed to improve relationships between citizens and the Public Administration, generating better connectivity, citizen attention and more personal communications. Public Administrations is a segment showing continued growth, where Vodafone Spain intends to invest resources to capture further market share. growth in an under-penetrated market.
- VGE – 8 per cent. (unaudited) of revenue in FY23 Vodafone Spain Business revenue. VGE services (approximately 2,000) customers who mostly include multinational corporations and global enterprises with complex telecommunications and technology needs. VGE customers typically have operations in multiple countries and regions and require customised solutions to connect their global footprint. The main products and services of VGE include global connectivity solutions, mobile services, IoT, Unified Communications, C&H and security services. The VGE business will not transfer as part of the Acquisition but Vodafone Spain will continue to receive revenue from this business in respect of any Vodafone Spain customers or where VGE customers of Vodafone Group utilise the Vodafone Spain network.

In the last three years, the Business segment delivered a slight decline in revenue (Vodafone Spain March year-end), reflecting the more difficult market dynamics in the SOHO segment of the market, including increasing penetration of value brands. Growth over this period has been driven by its New Business offering such as IP-VPN, C&H, where Vodafone has a differentiated proposition. As a result of the COVID pandemic, demand for these services increased as companies focused on digitalisation. Sub-segments where New Business is a key component of the offering, namely Corporate and Public Administrations, showed robust annualised growth of approximately 14.5 per cent. and 23.2 per cent., respectively between FY21 and FY23 (Vodafone Spain March year-end).

For more information on the historical financial performance, see Section B of Part XIII (*Historical Financial Information*) of this Prospectus.

4. **Network**

Mobile network

Vodafone Spain has a high-quality next generation mobile network with extensive 4G and 5G coverage, a strong spectrum holding and a network sharing arrangement with Orange, which enables Vodafone Spain to deliver a high-quality network experience for its customers.

Vodafone Spain's mobile network provides 99 per cent. 4G coverage (with 18,700 4G sites) and 55 per cent. 5G coverage (with 3,600 5G sites) as of March 2023. Vodafone Spain's mobile network was the recipient of the umlaut connect Mobile Benchmark "Best in Test" award for seven consecutive years between 2015 and 2022.

Vodafone Spain's mobile network also benefits from sizeable spectrum holdings, with a total share of approximately 24 per cent. which is well-spread over the available band-widths. Vodafone Spain holds 60 MHz low band spectrum (700-900 MHz), 135 MHz mid band spectrum (1,800-2,600 MHz) and 90 MHz high band spectrum (>3,400 MHz) as of 31 March 2023. High-band is typically used for short distance, high speed communication while low-band is optimally used for long distance communication with minimal interference. Vodafone Spain acquired 400 MHz of spectrum in the 26 GHz band during the last 5G spectrum auction held by the Spanish Government in December 2022. The licences were granted for 20+20 year period. No spectrum auctions are planned by the Spanish Government over the short to medium term.

For additional information on Spanish operators' spectrum holdings, see Part XI (*Vodafone Spain Industry Overview*) of this Prospectus.

Additionally, Vodafone's network is complemented by various passive and active sharing agreements which are summarised below:

Network, passive sharing and market service agreement with Orange (2019)

- Vodafone Spain has an active and passive network sharing (RAN sharing) agreement with Orange, addressing 2G, 3G, 4G and 5G technologies and covering 14,800 sites (in municipalities with fewer than 175,000 inhabitants). This long-term agreement, which runs out to 2038, enables Vodafone Spain and Orange to deploy Next Generation Access (NGA) technologies, including 5G, faster and more efficiently.

Passive infrastructure agreements

- Vodafone Spain's network is supported by passive infrastructure companies who provide macro and micro tower sites.
- In 2020, Vodafone Spain agreed a 32-year master service agreements four 8 year periods with automatic renewal covering 9,300 macro and micro sites in Spain with Vantage Towers, an affiliate of Vodafone Group.
- Additionally, Vodafone Spain has long-term agreements with TOTEM, Cellnex and American Tower who provide an additional combined approximately 3,300 sites.

Fixed network

Vodafone Spain has an extensive fixed network with access to more than 28.9 million premises across Spain as of March 2023 (representing approximately 95 per cent. of the country's households, businesses and other premises).

Vodafone Spain's owned network passes 10.7 million households, with 3.2 million covered by FTTH and 6.8 million by HFC (with 0.7 million households covered by both technologies) as of March 2023. Both technologies can deliver gigabit speeds, with the HFC network fully upgraded to DOCSIS 3.1. 58 per cent. of Vodafone Spain's fixed customers are served by the Vodafone Spain owned network, with 16.6 per cent.

take up of HFC and 11.4 per cent. of fibre as of September 2023.

Vodafone Spain has access to an additional 18.3 million households through unique long-term wholesale agreements with Telefónica, Orange and Adamo as of March 2023.

5. **Sales and marketing**

Vodafone Spain's primary routes to market to consumers include a network of franchised stores, digital sales, telesales and agreements with third-party resellers.

Retail (the vast majority of which is franchised stores) represents the largest sales channel for Vodafone Spain accounting for 36 per cent. and 38 per cent. total interactions related to sales activities of Vodafone and Lowi brands respectively. Vodafone Spain has a network of 626 franchise retail outlets, which are all operated by agents, with 370 stores sub-leased by Vodafone Spain to agents as at 31 March 2023. Agents are responsible for implementing the advertising and promotions specified by Vodafone Spain and cover all operating costs. Vodafone Spain provides all necessary resources for service activation (e.g., handsets and SIMs). The franchisee receives a commission at the time of sale (plus other incentivisation plans) with performance monitored on a monthly basis by Vodafone. Agents do not have any territorial exclusivity, allowing Vodafone Spain to directly market within the same geographical area as the franchisees. Vodafone Spain does not operate any stores directly.

Telesales represents the second largest channel for Vodafone Spain, with 31 per cent. of Vodafone brand activity and 33 per cent. of Lowi brand activity sourced through this channel in FY23 (Vodafone Spain March year-end). Vodafone Spain achieves this through both outbound (active telemarketing) and inbound (customer led enquiry). Following the recent introduction of a new law in Spain prohibiting outbound telesales and telemarketing to customers who have not consented, this channel is expected to represent less activity in the future.

Vodafone Spain has focused on increasing its proportion of digital sales (for example, through the Vodafone.es website and Mi Vodafone app) for the Vodafone brand, growing to 26 per cent. in FY23 (Vodafone Spain March year-end). Having grown as a primarily digital based brand from its launch in 2014, Lowi has experienced faster growth through retail channels in FY23 (Vodafone Spain March year-end) as Vodafone Spain chose to offer those products with Vodafone stores (with low level of cannibalisation). Digital now represents 28 per cent. of activity, down from 40 per cent. in FY20 (Vodafone Spain March year-end). Digital is key channel for Vodafone Spain to drive new customers, communicate with existing customers and optimise the business as evidenced in the growing digital gross customers from 50,000 in Q120 to 140,000 in Q3 FY23 (Vodafone Spain March year-end).

Sources of sales activity other than other mentioned above represented 7 per cent. of Vodafone brand activity and 1 per cent. for Lowi in FY23 (Vodafone Spain March year-end).

6. **Customer service**

Vodafone Spain provides customer service support through its franchise stores, call centres and via digital channels.

To improve customer satisfaction, Vodafone Spain has focused on increasing digital customer support with products including AI digital assistant TOBi via the Vodafone.es website and Mi Vodafone and My Lowi mobile apps.

Customer satisfaction has shown a strong increase as demonstrated in the Transactional Net Promoter Score (tNPS): Mi Vodafone App tNPS score of 46, Web tNPS score of 37 and overall digital tNPS score of 32, all as of February 2023. My Lowi App has been rated high across platforms, 4.4 out of 5.0 on Android and 4.8 out of 5.0 on iOS as in July 2023.

7. **IT infrastructure**

Vodafone Spain operates a well invested information technology infrastructure platform to ensure the stability of its legacy IT systems and the secure delivery of telecommunications services. Vodafone Spain undertakes ongoing investment to upgrade its networks and IT platforms in order to enhance operational efficiency and minimise the risk of service disruption from internal, external or third-party causes. Furthermore, Vodafone Spain actively maintains, revises, and tests plans for business continuity, technology recovery, and disaster recovery. These measures are taken to reduce the probability, duration, and impact of potential IT infrastructure downtime. These plans include procedures for responding to a disruption, recovering applications and network functions, and resuming operations to a pre-defined level as efficiently as possible. The implementation of these plans includes physical site risk assessments, the setting and reviewing of service level targets and the integration of resilience assessments into the design or modification of technology infrastructure.

8. Employees

The average number of persons employed by Vodafone Spain in the three financial years ended 31 March 2021, 2022 and 2023 (by FTE) is set out in the table below. These numbers are subject to fluctuations in accordance with Vodafone Spain's strategy:

	Year Ended		
	31 March 2023	**31 March 2022**	**31 March 2021**
By activity			
Technology	1,815	1,703	1,635
Business segment	986	1,132	1,209
Consumer segment	729	893	918
Other	439	417	398
Finance	263	250	239
HR	75	73	73
Legal	67	62	60
Communication	15	16	16
Strategy & Other	19	16	10
Total	**3,968**	**4,145**	**4,160**

Vodafone Spain has a diverse and talented workforce and fosters an inclusive, transparent and collaborative approach to business. As of 31 March 2023, approximately 60 per cent. of Vodafone Spain's employees were men and approximately 40 per cent. were women.

Vodafone Spain is headquartered in Madrid and additionally occupies real estate throughout the Spanish territory for (i) office space; (ii) technology storage; and (iii) a combination of office space and technology storage. Part of the core real estate, approximately 200 properties, is occupied through lease agreements, and the rest, approximately 300 properties, are owned by Vodafone Spain.

The Vodafone Spain headquarters in Madrid is occupied by means of a lease agreement entered into on 16 January 2013 between Vodafone España and Solvia Development, S.L. that expires on 14 March 2029. The technology storage facility located in Madrid is occupied by means of a lease agreement entered into on 16 March 2022 between Vodafone España and Vodafone ONO on one part, and Blascan Investments, S.L.U. on the other, expires on 15 March 2042.

9. ESG

Vodafone Spain's ESG agenda is a core component of its strategy and seeks to leverage the Vodafone Group's leadership on ESG issues. Vodafone Spain's purpose is to deliver reliable, high-quality diversified telecommunications services to each of its business segments, this purpose informs Vodafone Spain's relationships with all of its stakeholders. Overall accountability for ensuring Vodafone Spain's environmental impact, support of the communities where it operates and the commitment to robust corporate governance practices across the Vodafone Spain business to enable it to maximise its positive impact on society currently rests with the board of directors of the Vodafone Group.

Vodafone Spain's ESG strategy is led centrally by a core team of experts with broad representation and a track record of ESG programme delivery. The Vodafone Group's central strategy is implemented at the Vodafone Spain level by the incorporation of ESG objectives into the Vodafone Spain's operational and performance targets, ensuring that ESG is integral to how it manages its business and drives value creation for all of its stakeholders. ESG measures are included in the long-term incentive plans of senior leaders of Vodafone Spain.

Environment

Vodafone Spain's strong network is an enabler for a sustainable digital society. Vodafone Group believes that by reducing the emissions and carbon consumption of its footprint, it can drive decarbonisation across related commercial sectors. Vodafone Group has implemented a number of energy initiatives to decrease its carbon footprint and improve the efficiency of its energy use. In line with its systematic approach to the continual improvement of energy performance and security across its operations, the Vodafone Group has committed to implementing ISO 50001 in all of its Consolidated Markets by 2023.

Vodafone Spain is subject to a number of environmental laws and regulations. These laws and regulations govern, among other things, the management and disposal of hazardous materials, air emissions and water discharge, the clean-up of contaminated sites and health and safety matters. Vodafone Spain is also required to obtain environmental permits, licences and/or authorisations or provide prior notification to the appropriate authorities when building parts of its network or installing types of communications equipment.

Vodafone Spain is not aware of any material non-compliance with or liability from relevant environmental laws and regulations.

Social

The goal of the Vodafone Spain's social agenda is to build and develop an engaged and diverse team within a lean and flat organisation. Vodafone Spain seeks to cultivate a distinctive culture through an emphasis on open employee dialogue, empowering leaders, a borderless mindset, a focus on growth opportunities for its people, a 'Big' and 'Small' ethos that leverages the scale of the Vodafone Group and a start-up mentality.

Vodafone Spain supports and develops its workforce through training and learning activities. It also offers leadership development support in order to enable its managers to operate with speed and accountability to deliver its growth initiatives.

Governance

Vodafone Spain has implemented a strong governance framework that it believes enables it to operate with significant independence and supports high standards of compliance. As with other aspects of ESG, in governance Vodafone Spain has benefitted from the Vodafone Group's leadership in compliance with governance rules and standards.

Health and Safety

Health and safety are at the centre of Vodafone Spain's operating model and this commitment to safety does not differentiate between its own employees and its contractors, with all personnel expected to comply with the Vodafone Group's "Absolute Rules" on safety, which are focused on risks that present the greatest potential for harm. Robust supervision systems are in place, supported by digital software that enables monitoring of compliance on a continuous basis. A consequence management system is utilised and employees or contractors who repeatedly fail to observe the "Absolute Rules" are excluded from involvement in the Vodafone Group's businesses. Whenever accidents occur, policy is to perform a full investigation of the cause with suggestions as to appropriate remedial measures. In the event of a fatality, all related work must cease and only recommence with appropriate authorisation. Over the past three financial years, there have not been any fatalities related to the Vodafone Spain Business. Vodafone Spain will continue to put health and safety at the centre of its business and aims to maintain its safety record as a standalone company going forward.

Vodafone Spain has implemented an ISO integrated management system, defining global minimum standards and requirements according to internationally recognised standards such as ISO 27001 (information security), ISO 22301 (business continuity management) and ISO 5000 (energy management). Vodafone Spain may reevaluate the ISO integrated management strategy, and identify additional ISO certificates to be implemented, going forward.

Vodafone Spain's operations, like those of other companies engaged in similar businesses, are subject to the requirements of various occupational health and safety laws and regulations. Vodafone Spain abides by applicable occupational health and safety standards as stipulated by legislative and regulatory requirements in Spain, and has implemented management systems and reporting structures to ensure effective oversight and implementation of these across its footprint. Vodafone Spain has not been subject to any fines or legal or regulatory action involving non-compliance with applicable occupational health and safety laws and regulations which are considered to be material. Vodafone Spain is not aware of any material non-compliance with or liability from relevant occupational health and safety laws and regulations.

10. **Insurance**

Vodafone Group maintains current insurance policies relevant to its scale and extent of its operations. On a global level Vodafone Group Insurance has the responsibility for negotiating and maintaining insurance, and individual companies within the Vodafone Group may or may not be policyholders of various policies, depending on their business risk profile. Vodafone Spain and/or its subsidiaries have cover for: property damage and business interruption, directors and officer's liability; pension trustee liability, public and products liability; environmental impairment; personal accident and business travel; transit; political violence, cyber, professional indemnity and intellectual property.

On a local level, Vodafone Spain subsidiaries have motor/automobile insurance and Vodafone España also has airside aviation coverage.

Following Completion, insurance policies maintained by Vodafone Spain and/or its subsidiaries in relation to motor/automobile; aviation (airside liability); and employee medical and life, disability and accident will continue. All other insurance policies arranged by Vodafone Group will fall away from Completion. The Enlarged Group intends to effect insurance policies relevant to the Vodafone Spain business to provide a similar level of coverage as that effected by Vodafone Group prior to Completion.

11. **Compliance and risk management**

Vodafone Spain has established a well-defined organisational and operational structure with clearly defined roles, responsibilities and reporting lines to ensure that appropriate spans of control operate throughout the organisation, in relation to the Vodafone Spain business activities and risk management, including business continuity plans which are in place in the event of any material adverse event. Vodafone Spain's governance functions includes representation from many functions, including risk and compliance and internal audit who have responsibility for monitoring, reviewing, challenging and reporting on the status of Vodafone Spain's risks on an ongoing basis.

12. **Regulatory overview**

Vodafone operates mainly in two regulated sectors, telecommunications and audiovisual.

Telecommunications

Electronic communications or telecommunications are considered services of general interest and are provided under free competition (except in relation to activities reserved to the State that are deemed to be public services.) As regulated services, telecommunications services are subject to the provisions of the recent Law 11/2022, of 28 June, General Telecommunications Law ("LGTel"), which transposes into Spanish law (albeit belatedly) Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018, establishing the European Electronic Communications Code. The regulatory development of the new LGTel is still pending and developing regulations of the former LGTel remain meantime largely in force; significant changes and clarifications at this regulatory level are therefore foreseeable in the short term, as there are certain issues that the LGTel leaves to regulatory development.

Telecom operators must inform the CNMC of their intention to operate communications networks or provide electronic communications services, for the purpose of registration in the register of operators. Operators must also comply with certain other obligations.

Once registered, operators must comply with a series of general obligations, including the obligation to: (i) provide information; (ii) facilitate network access and interconnection; and (iii) pay certain fees depending on the services they provide. In addition to these general obligations, operators, depending on their nature and the services they provide, are required to comply with public service obligations (e.g., universal service, routing calls to emergency services free of charge for users etc.) and obligations of a public nature (e.g., secrecy of communications, legal interception, data protection, data retention and data disclosure, encryption, integrity and security and consumer-related obligations). In addition, operators such as Vodafone have the following rights: (i) the right to use the radioelectric domain; (ii) the right to obtain numbering; and (iii) the right to the occupation of public domain and/or private property for the establishment of networks, as well as the right to access to and use of infrastructure capable of hosting public electronic communication networks.

Further, operators which, individually or jointly with others, enjoy a dominant position in a certain market based on market share, i.e., a position of economic strength which enables them to behave, to an extent, independently of competitors, clients and, ultimately, consumers, may be subject to additional obligations imposed by the competent public authorities. Such obligations may include: (i) transparency and non-discrimination in relation to interconnection and access; (ii) separation of accounts; (iii) satisfy reasonable requests for access to and use of civil works; and (iv) controls in relation to pricing.

In Spain, the specific competent public authorities in telecommunications matters are: (i) the senior and executive bodies of the Ministry of Economic Affairs and Digital Transformation that assume the powers assigned to this Ministry in regulated matters (e.g., the Secretary of State for Telecommunications and Digital Infrastructure); and (ii) the CNMC in the exercise of the powers assigned to it in regulated matters.

Audiovisual

The audiovisual communication service is a service of general interest provided according to the principles of editorial responsibility. The main piece of legislation currently regulating the audiovisual sector is Law 13/2022, of 7 July, General Law on Audiovisual Communication ("**LGCA**"), which incorporates the latest amendments of Directive 2010/13/EU on Audiovisual Communication Services.

The provision of television audiovisual communication services requires: (i) a reliable communication to the competent audiovisual authority prior to the commencement of the activity; or (ii) prior licence granted through a competitive bidding process if the service is to be provided by means of terrestrial Hertzian waves.

The purpose of the LGCA is to regulate audiovisual communications at the state level, as well as to establish certain rules applicable to the provision of video exchange services and the provision of the regional and local audiovisual communication services. In this regard, the LGCA includes a series of obligations among which the following stand out: (i) obligation to protect minors; (ii) obligation to guarantee accessibility; and (iii) obligation to promote European audiovisual works and linguistic diversity. In relation to this last obligation, a couple of obligations are noteworthy: (i) the obligation to reserve a percentage of the programming or programme catalogue for European works (51 per cent. for providers of linear television services and 30 per cent. for on-demand television services); and (ii) the obligation to provide advance financing for European works (5 per cent. of the income accrued in the previous year if such income exceeds €10 million). Providers of audiovisual services must also meet the levy payment obligation to support the public national TV and radio service ("**RTVE**") unless they qualify as SME.

The LGCA also grants providers specific rights, including: (a) the right to freedom in editorial direction, in the organization of content and freedom to provide services; (b) the right to self-regulation; (c) the right to create channels of commercial communications and self-promotional programmes or advertisements; and (d) the right to broadcast advertising messages, sponsorships and to carry out product placement.

In Spain, the specific competent public authorities in audiovisual matters are: (i) the Ministry of Economic Affairs and Digital Transformation; and (ii) the CNMC.

PART XI. VODAFONE SPAIN INDUSTRY OVERVIEW

Macroeconomic context

Spain is the fifth largest economy in the European Union with a GDP of €1.3 trillion (source: INE) and the fifth most populated country in the European Union, with approximately 47.6 million inhabitants as of July 2022 (source: INE). There are an estimated 18.9 million primary households in Spain (source: Eurostat) with the majority concentrated in urban areas as of 2022. However, the density of the Spanish population, at approximately 93.8 inhabitants per square kilometre, is lower than the average of 185.9 inhabitants per square kilometre in other major Western European countries (source: Eurostat). There are an estimated 3.4 million enterprises in Spain, with the majority of GDP generated by the services sector and the industry sector, which represented 74.3 per cent. and 22.8 per cent. of Spain's total GDP in 2022, respectively (source: INE).

After a long period of economic recession following the global financial crisis from 2008 to 2013, the Spanish economy returned to growth in 2014, with GDP expanding by 1.4 per cent. in that year and growing at a CAGR of 2.6 per cent. between 2015 and 2019, above the EU average growth in the same period (source: EIU). The International Monetary Fund ("**IMF**") reported a contraction of 11.3 per cent. for 2020 as a result of the COVID-19 pandemic, however the economy subsequently rebounded in 2021, with growth of 5.5 per cent. on the previous year.

In 2022, real GDP again expanded by 5.5 per cent., representing one of the highest growth rates in Europe. Spanish employment data has continued to show strength, with unemployment falling to 12.9 per cent. in 2022, the lowest since 2008 (source: INE). On a relative basis, Spain weathered the negative economic shock following the Russia invasion of Ukraine well. The resilience of the economy was underpinned by a strong rebound in tourism over the summer season and dynamism of private consumption, further supported by positive labour market developments and less exposure to energy imports from Russia than the rest of Europe.

Spain's economic outlook is robust, with forecast annual real GDP growth of 1.9 per cent. for the period 2022 to 2025, above several of its European peers (Source: EIU). Spain's unemployment rate is also expected to continue to decline over the same period. Spain is expected to benefit from relatively low inflation levels, with 2023 forecast inflation of 4.9 per cent. amongst the lowest in Europe (Source: EIU). As inflation moderates, stronger private consumption and a further normalisation of tourism are expected to sustain economic activity. In addition, the European Union's Recovery and Resilience Facility is set to boost investment growth, and the Spanish government has committed to use €4.8 billion of funding allocation from the European Union's Recovery and Resilience Facility towards SME digitisation, including the Spanish government's "Kit Digital" programme.

Spanish Telecommunications Market – historical development

Spain has one of the largest telecommunications markets in Europe, generating an estimated revenue of US$12.0 billion in 2022. Of this, US$9.4 billion (78 per cent.) is derived from mobile services, including voice and data and US$2.6 billion (22 per cent.) from fixed-line services (Source: EIU).

As a result of the liberalisation of the telecommunications sector mandated by various European Commission Directives and WTO commitments, since 1998, the Spanish telecommunications market has moved from a closed, restricted and virtually monopolised sector to an open market structure, undergoing significant changes in terms of products, technologies and market structures. Prior to the liberalisation, the domestic regulatory framework prevented new entrants from entering the Spanish market, with Telefónica holding a monopolistic position. Post-liberalisation, new entrants expanded their product offerings and introduced new technologies, products and services. Orange entered the Spanish telecommunications market in 1999 with Vodafone Group entering in 2000 by acquiring a stake in Airtel Móvil, Spain's second largest mobile phone operator at the time. The development of regional licences then fostered the emergence of regional telecommunications and cable operators including Euskaltel in 1998 followed by Telecable.

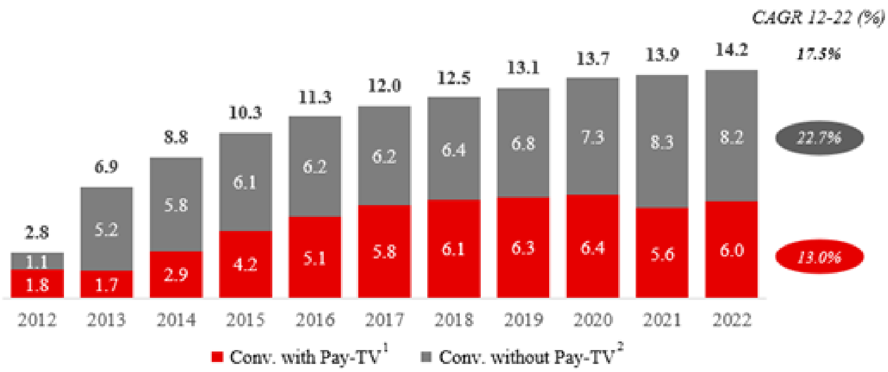
Due in part, to an increasingly favourable regulatory environment, the competitive landscape in Spain intensified in the early 2000's, driven by the emergence of challengers such as Yoigo, Pepephone, MásMóvil, Lebara and Lyca, as well as pressure from existing operators. The entry of new competitive players in the market played an important role in facilitating the development of telecommunications infrastructure in Spain.

Convergence and consolidation

During the last decade, the Spanish telecommunications market has been characterised by a degree of consolidation and the rapid transition towards convergence of fixed and mobile services, with operators bundling services such as broadband, television, and mobile and Fixed voice into integrated offers which has made the Spanish telecommunications market amongst the most converged in Europe.

In October 2012, Telefónica launched Movistar Fusión, one of the first bundled offerings, with fixed and mobile services for both voice and broadband at lower prices relative to competitors. This led to a shift in market dynamics, with an observed decrease in ARPU across services. Converged service offerings have become critical for operators seeking to attract customers. As a result, the market moved towards a converged model, with approximately 86 per cent. of subscribers having both fixed mobile and fixed broadband bundles in 2022 (Source: CNMC), far in excess of other comparable countries and European peers.

Bundles contracted in Spain (million)



Source: CNMC, 2022

Note:

(1) Includes Fixed BB, Fixed voice, Mobile BB, Mobile voice and PayTV bundle and Fixed BB, Fixed voice and PayTV bundle

(2) Includes Fixed BB, Fixed voice, Mobile BB, Mobile voice bundle and Fixed BB, Mobile BB and Mobile voice bundle

As a result of this trend, mobile-only operators found it more challenging to compete without broadband and PayTV propositions, due to the competition created by convergence. In order to compete in the converged arena, pan-European MNO Vodafone Group and Orange acquired fixed-only operators ONO (cable) and Jazztel (Asymmetric Digital Subscriber Line ("**ADSL**")), respectively. Between 2014 and 2021, MásMóvil made five acquisitions (Xtra Telecom in 2014, Yoigo in 2016, Pepephone in 2017, Ahi in 2020 and Euskaltel in 2021. This has consolidated the market from 14 operators in 2014 to four major operators in 2023 (with Orange and MásMóvil currently in a merger process).

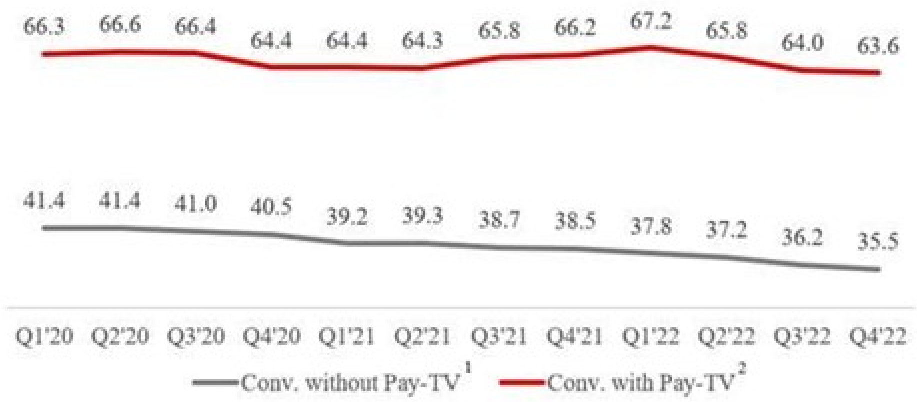
PayTV has proven to be a key component of customer value proposition within converged offerings, with bundles including TV growing faster and displaying a more stable ARPU trend than bundles without TV. Premium sports content – predominantly football – and access to streaming OTT platforms, such as Netflix, HBO Max or Disney+, are the main drivers of demand for PayTV offerings in Spain. Moreover, some operators have recently started to expand their offerings into other services beyond telecommunications, such as household security systems, electricity supply and financial services to further build upon this strategy.

ARPU and customer churn

Operators have seen an overall stabilisation of ARPU across the market over recent years, and price increases have been introduced by certain major operators, as well as other operators in the value segment of the market in 2023 (Orange/Jazztel: +3.4 per cent./+9.2 per cent.; MásMóvil: +1.6 per cent.; Telefonica: +6.8 per cent.; Vodafone Spain: +8.1 per cent.), following a period of relative price stability between 2020 and 2022. Certain operators have also reduced discounts. CPI escalator clauses have also been included in new contracts by some operators. The Spanish telecommunication services market is expected to continue to grow in the coming years, with revenue expected to increase by 5.9 per cent. annually between 2023 and 2027 (Source: EIU).

Throughout 2020 and 2022, pricing was relatively stable on a converged basis, especially for bundles including TV.

Market ARPU of fixed-mobile bundles in Spain (€)



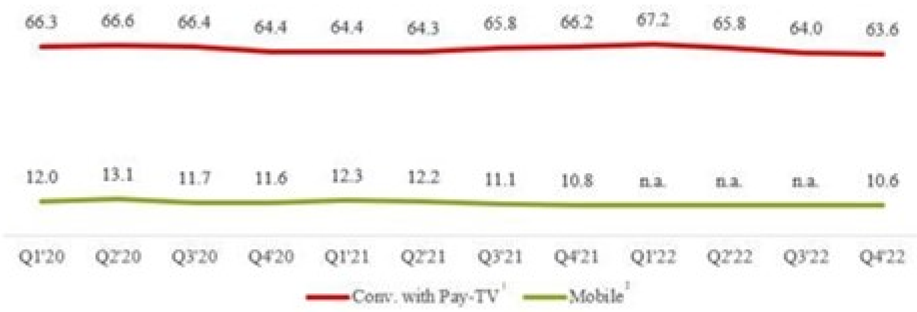
Source: CNMC, 2022

Note:

(1) Includes Fixed BB, Fixed voice, Mobile BB, Mobile voice

(2) Includes Fixed BB, Fixed voice, Mobile BB, Mobile voice and PayTV

Further, while mobile-only ARPU has declined over recent years, as customers have migrated to bundled offerings provided at discounted prices, converged ARPU has stabilised.



Source: CNMC, 2022

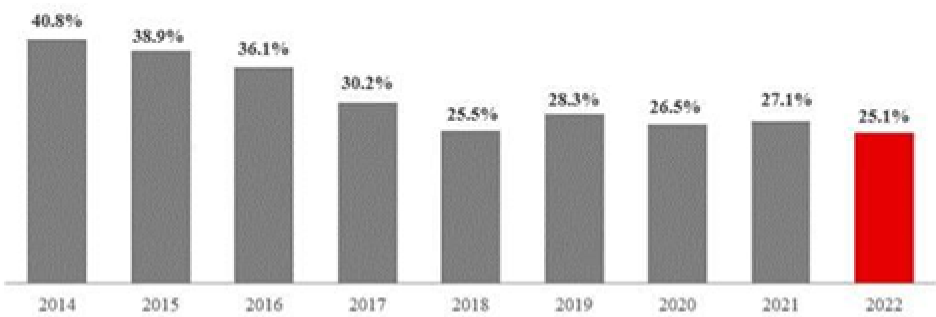
Note:

(1) Includes Fixed BB, Fixed voice, Mobile BB, Mobile voice and PayTV

(2) Postpaid

In addition, overall levels of client churn and monthly portabilities across the industry have experienced a material reduction in parallel with an increase in the penetration of bundled service offerings.

Market churn evolution



Source: CNMC, 2022

Note:

(1) Calculated as: # of mobile lines churned / average # of total mobile lines on a yearly basis

(2) Mobile lines include bundles that include a mobile line along with other service offerings

Spain's telecommunications infrastructure

Spain boasts a highly developed telecommunications infrastructure relative to the other markets in Europe, with both mobile and fixed high-speed broadband penetration well above European averages. FTTH penetration over households currently sits at 68 per cent. (Source: FTTH Council) while Mobile penetration is at 107 per cent. as of 2021 (Source: CNMC.)

Mobile network

The Spanish mobile telecommunications infrastructure ecosystem comprises a number of MNOs that own their network, as well as several infrastructure companies that provide the network as a service such as Cellnex and Telxius. In recent years, the main driver behind investment decisions has been the rollout by the main operators of NGA mobile networks, including 4G and 5G technology.

The four MNOs Telefónica, Vodafone Group, Orange and MásMóvil have been rolling out 4G technology since mid-2013 and have now installed 4G base stations across the whole country, covering 99.6 per cent. of the population as at 2021. In 2021, operators reported that the 4G network was promulgated via 59,359 base stations, a 76 per cent. increase since 2016 (Source: CNMC).

In 2016, the EU adopted the 5G for Europe action plan with the aim of fostering coordination among member states to improve Europe's competitiveness in developing this technology, encouraging member states to devise national work plans. In 2017, the Spanish Government published Spain's 2018-20 5G national plan including key measures and a roadmap for 5G development. In June 2019, Vodafone Group launched the first 5G network, and in 2020 the other MNOs each launched their own, currently covering most Spanish cities and towns comprising 82 per cent. of the total population. In 2022, operators reported the accelerated promulgation of the 5G network. This first phase of 5G deployment has been carried out through non-standalone 5G networks, where the 5G technology is anchored to existing 4G infrastructure. This technology reaches latencies below 10 milliseconds, compared to latencies of around 200 milliseconds for existing 4G technology (Source: CNMC). It is expected that, once the technology becomes fully available after standardisation, MNOs will have the option to start deployment of SAs, where the 5G technology is anchored to their 5G core networks, reaching latencies of 1 millisecond. Deployment of 5G networks is supported by the Digital Spain 2026 plan, with approximately €1.5 billion in subsidies committed to the development of 5G, backed mainly by EU funds. Of this amount, €950 million had been awarded as of December 2022 (Source: February 2023 execution report of Digital Spain 2026 plan).

In an effort to reduce mobile network deployment costs and facilitate investment, in 2006, Vodafone Group and Orange reached an agreement for the active sharing of their mobile networks in towns with less than 25,000 inhabitants. This agreement was renewed in 2016, and in 2019 it was revised and expanded to towns with up to 175,000 inhabitants, encompassing 14,800 mobile locations. In addition, each of the MNOs in Spain have or are considering tower networks sales. For instance, Telefónica sold its remaining shareholding in its towers subsidiary Telxius to American Tower in 2020, and Orange has announced the establishment of an internal tower subsidiary, Totem. Similarly, Vodafone Group's tower portfolio is now held by Vantage Towers.

Spectrum is allocated to operators through auctions organised by the Spanish government, in which frequencies are auctioned among bidders under certain conditions, such as a minimum starting price and predefined concession periods. Spectrum-related investments totalled approximately €1 billion between 2021 and 2022, most of which correspond to the acquisition of 5G spectrum by the main operators (Source: CNMC). The most recent auction for 5G spectrum took place in December 2022, with 1,800 MHz in the 26,000 MHz band being allocated among Telefónica, Vodafone Group and Orange, with concessions granted for a 20-year period, with the possibility for extension over an additional 20 years. No additional 5G auctions are expected. Fees are payable for spectrum upon award of the licence at the time of the auction, with ongoing taxes payable by the relevant operator depending on the amount of spectrum held at each annual payment date.

Current spectrum frequency holding by operator (MHz)

Technology	5G	4G	2G/3G	2G/4G	3G	4G	5G	
Band	700 MHz	800 MHz	900 MHz	1800 MHz	2100 MHz	2600 MHz	3500 MHz	26000 MHz
Telefónica	20	20	30	40	35	60	100	1000
vodafone	20	20	20	40	35	60	90	400
	20	20	20	40	35	80	110	400
MÁSMÓVIL	-	-	-	30	35	20	80	-
Total	60	60	70	150	140	220	380	1800

Current spectrum frequency concessions expiry dates

Technology	5G	4G	2G/3G	2G/4G	3G	4G	5G	
Band	700 MHz	800 MHz	900 MHz	1800 MHz	2100 MHz	2600 MHz	3500 MHz	26000 MHz
Telefónica	2041	2031	2030	2030	2030	2030	2030 & 2038	2043
vodafone	2041	2031	2028	2030	2030	2030	2038	2043
orange	2041	2031	2030	2030	2030	2030	2030 & 2038	2043
MÁSMÓVIL	2041	2031	2030	2030	2030	2030	2030	2043

Source: Spanish Ministry of Economic Affairs and Digital Transformation, 2022

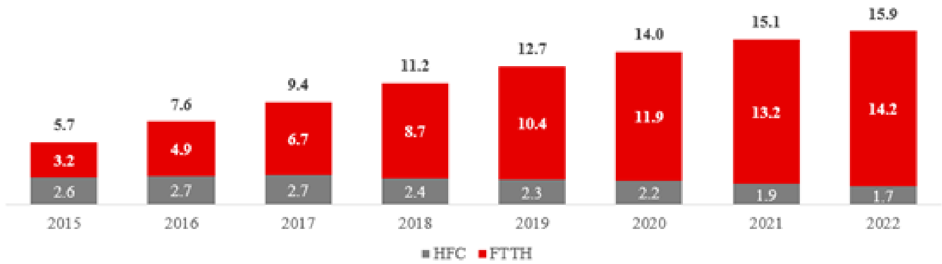
The Spanish Government has undertaken a public consultation process to increase the time period applicable to each spectrum licence. Further, certain amounts of spectrum held by Orange and/or MásMóvil may be required to be redistributed to other operators as part of remedies imposed in connection with the announced Orange/MásMóvil merger. This could result in additional spectrum held by Vodafone Spain.

Fixed network

Until 2011, the fixed infrastructure market struggled to develop, with operators still relying mainly on legacy ADSL networks, with the exception of cable-based ONO, R Cable y Telecomunicaciones Galicia, S.A., Telecable and Euskaltel. In 2009, the implementation of CNMC regulations to meet EU fibre coverage requirements led to a faster development of the Spanish NGA network. In order to foster the rollout of high-speed broadband networks, the CNMC made it compulsory for Telefónica, the first operator to deploy fibre in Spain, to share infrastructure and fibre cables with all other domestic operators. The CNMC also adopted MARCo (Mayorista de Acceso a Registros y Conductos: Wholesale Access to Metropolitan Records and Ducts) to regulate access to Telefónica's ducts.

As a result of the supportive regulatory environment and the resulting decrease in network deployment costs, an extensive rollout of fibre optic networks has been carried out in the last decade, with FTTH and HFC as the predominant technologies.

FTTH and HFC lines evolution (m)



Source: CNMC, 2022

Telefónica has led this fibre deployment across the country, having built an FTTH network covering approximately 27 million households as of 2022 (approximately 90 per cent. of Spanish households), and has committed to decommission its full copper network and replace it with fibre by 2025. Other large integrated operators – Vodafone Group, Orange and MásMóvil – have mainly focused their FTTH deployment in large and mid-sized cities comprising most of the Spanish population, resulting in high levels of network overbuild in these areas, while independent open-access wholesalers owned by financial investors, such as Onivia, Lyntia and Adamo, have focused on building smaller networks in small towns and rural areas by consolidating hundreds of small local operators and by rolling out their own networks with the support of public subsidies. More than €1.1 billion in subsidies have been granted by the Spanish government over recent years to support high speed broadband rollout in rural areas, mostly coming from the Spanish government's funding allocation from the European Union's Recovery and Resilience Facility.

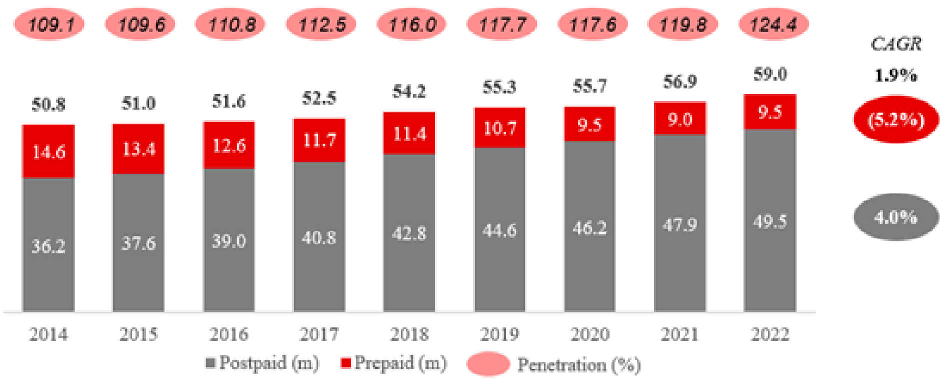
However, a large part of the fixed infrastructure network in Spain is still owned by Telefónica, meaning that other operators are dependent on wholesale access to Telefónica's network to a significant extent. The New Broadband Ethernet Service ("**NEBA**") was implemented by the CNMC in 2013. NEBA sets out the conditions pursuant to which Telefónica is allowed to offer copper and fibre wholesale broadband access to other operators. NEBA copper and NEBA fibre aims to improve the access to broadband services for users who live in areas with limited infrastructure competition. In 2017, the CNMC approved new regulations for the wholesale fibre market, NEBA Local. NEBA Local provides for a virtual access service to Telefónica's fibre and is a continuation of the NEBA regulation. Pursuant to NEBA Local, Telefónica is required to maintain a wholesale offer for virtual access to its fibre network at a regulated price and in low competition areas, which covered 65 per cent. of the population in Spain. The CNMC deemed the other areas, home to the remaining 35 per cent. of the Spanish population, to already have sufficiently competitive offerings, with at least three operators deploying NGA networks (FTTH, FTTN and HFC). NEBA Local is also more technically complex than NEBA, as it requires interconnecting with Telefónica by local exchange. In 2021, after years of network deployment by operators across the country, the CNMC reviewed NEBA Local regulation, with regulated areas being reduced to 30 per cent. of the population and the remaining 70 per cent. deemed as competitive and therefore, not regulated. Furthermore, the regulator has announced plans to review NEBA Local again after three years.

The fixed infrastructure market has followed a similar mutualisation path as the mobile infrastructure market, and several co-investment, network sharing and commercial wholesale agreements over fibre networks have been signed in the past few years. Mutualisation of fixed networks allows operators to significantly increase their coverage and reduce rollout costs, thereby creating more scope for investment. As a result, network rollout by large operators has slowed down in recent years. In addition, several operators have recently partially divested their FTTH networks to financial investors in order to help finance further rollout and to crystallise the value of the infrastructure.

Focus on the Mobile voice and Mobile BB market

The Spanish mobile market is well developed, with 59 million mobile lines (with a penetration rate of approximately 124.4 per cent.), of which 49.5 million are mobile post–paid lines (representing 83.9 per cent. of total mobile lines), while mobile pre–paid accounts for 9.5 million lines (16.1 per cent. of the total accesses) (as of 2022). The number of postpaid lines continues to rise, increasing at a CAGR of 4 per cent. from 2014 to 2022, while the number of prepaid lines has declined as customers continue to migrate to converged service offerings (Source: CNMC).

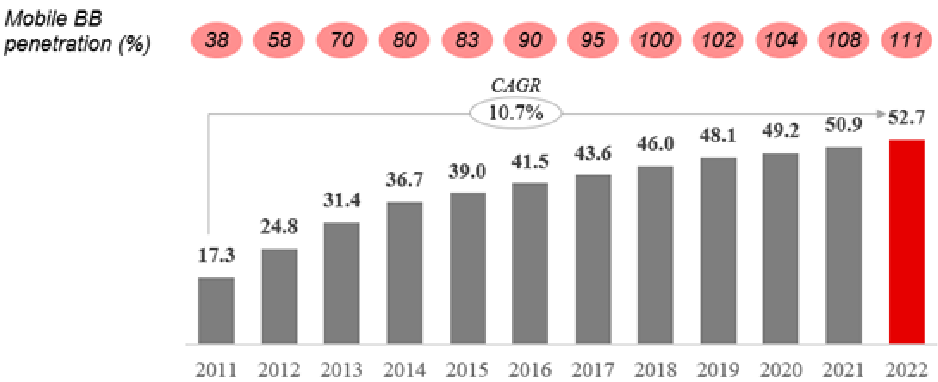
Mobile lines by subscription type (m)



Source: CNMC, 2022

Mobile BB lines continue to increase in Spain, with 52.7 million lines registered as of year-end 2022, at a penetration rate of 111 per cent. over the total Spanish population, which compares to just 17.3 million lines, or 38 per cent. of the population in 2012 (Source: CNMC).

Active mobile broadband lines (million)

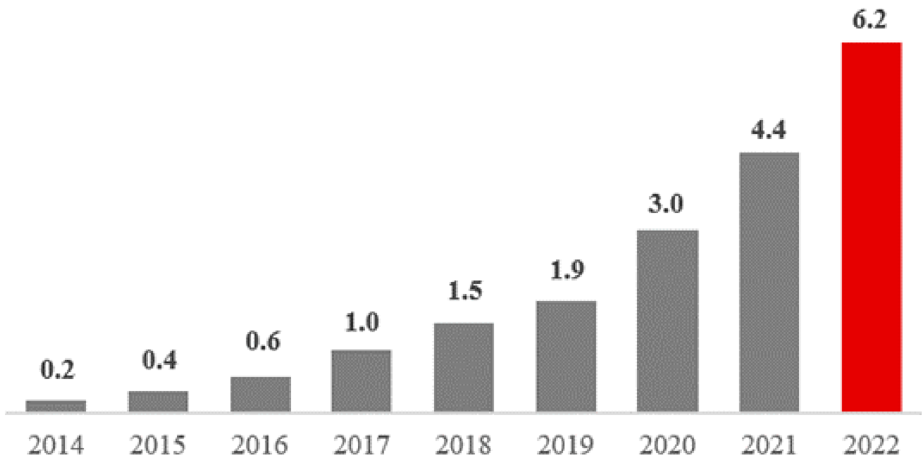


Source: CNMC, 2022

Of the 52.7 million mobile subscribers in 2022, 51.6 million (97.9 per cent.) connected through their mobile device, while the number of exclusive data lines stood at 1.5 million. The increase in the number of mobile subscribers via data lines has contributed to material growth in data traffic (Source: CNMC).

The main driver of growing demand for Mobile BB is the accelerating growth in data consumption through mobile devices resulting from the increased use of social media, messaging apps and streaming services, as well as the increase in video resolution and audio quality formats of the content offered by such services. This increase in data traffic has been made possible by the rollout of 3G and 4G networks over the last decade, and the current rollout of 5G technology will allow this trend to continue, with most operators in Spain already offering 5G connections and unlimited data plans.

Total data traffic over mobile broadband (TBm)



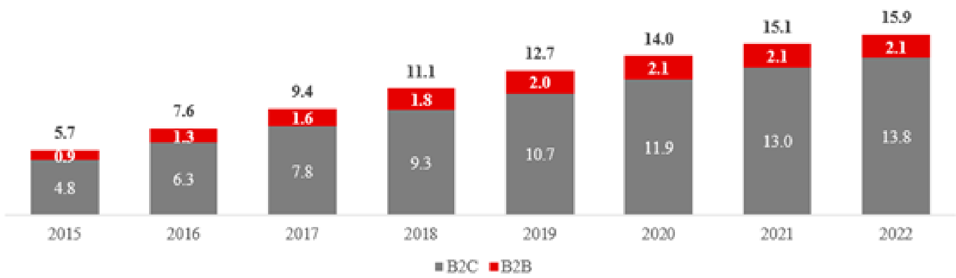
Source: CNMC, 2022

Mobile ARPU has declined over recent years, as customers have migrated to bundled offerings provided at discounted prices. This is consistent with the convergence trend that has emerged in the Spanish market in the last decade.

Focus on the Fixed BB and Fixed voice market

As at 31 December 2022, there were a total of 15.9 million fixed, high-speed (>100 Mbps) broadband lines in Spain, representing approximately 90 per cent. of total Fixed BB lines in the country. This figure compares to only 2.2 million high-speed lines, or approximately 17 per cent. of total Fixed BB lines in 2014 (Source: CNMC). This rapid growth in high-speed broadband connections, made possible by the substantial deployment of fibre infrastructure by the operators in recent years, responds to strong underlying demand drivers, both on the B2C and the B2B market segments. The proportion of low-speed broadband lines (<100 Mbps) has declined from 89.3 per cent. in 2014 to 7.7 per cent. in 2022 (Source: CNMC) while the share of high-speed lines has increased from 10.7 per cent. in 2014 to 92.3 per cent. in 2022 (<100 Mbps).

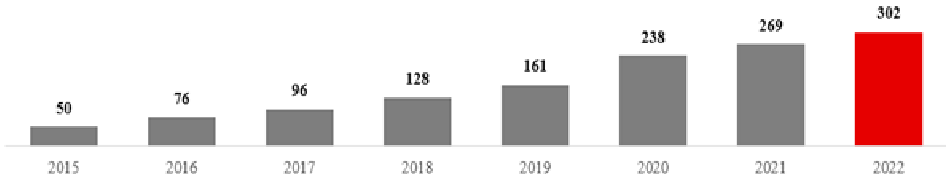
High-speed Fixed BB lines evolution in Spain (million)



Source: CNMC, 2022

In B2C, the increasing adoption of video streaming services, the growing penetration of digital devices, as well as new use cases, such as online gaming, virtual reality and artificial intelligence, are the main underlying drivers of increasing data consumption and demand for higher speed connections. In the B2B space, the decentralisation and outsourcing of IT infrastructure and services, the increasing adoption of cloud services, as well as the additional capacity required by mobile networks for the rollout of 5G are, among others, the predominant drivers of increasing demand for high speed broadband services.

Traffic per line evolution (Gbytes / month / line)



Source: CNMC, 2022

Fixed voice revenue continued to decline during 2022, although the total number of lines remained stable at approximately 19.1 million. Despite its status as a mature market, Fixed voice is still benefiting from the gradual bundling of services by national operators. By 31 December 2022, only 21 per cent. of Fixed voice lines were contracted individually. The remaining 79 per cent. were in bundles with other fixed services or bundles including a combination of fixed, mobile and PayTV services (Source: CNMC).

Competitive landscape

After a decade of consolidation, the Spanish market is currently led by four main MNOs, Telefónica, Vodafone Spain, Orange and MásMóvil, with a combined market share of around 94 per cent. of the total revenues generated in retail telecommunications activities as of 31 December 2022 (Source: CNMC). There are also a number of strong and growing MVNOs such as Digi and a number of smaller players some of which operate at the local or regional level, these operators have also experienced a wave of consolidation in recent years led by regional operators supported by financial investors, such as Onivia, Lyntia and Adamo.

In recent years, the larger operators have shifted their commercial strategy from focusing primarily on the premium segment of the market towards increasingly pursuing a multi-brand approach that allows them to cover the entire market without damaging brand value.

In July 2022, Orange and MásMóvil announced that they had reached an agreement to combine their operations in Spain. The transaction remains under regulatory review as at the date of this Prospectus. Subject to the approval of relevant regulators, including the European Commission, the combined entity would become the second largest operator by size in both the mobile and fixed markets, as well as in total revenue terms. Orange and MásMóvil's combined revenue in 2022 was €7.5 billion compared to €12.5 billion in revenue in 2022 for Telefónica and €3.9 billion in revenue in FY23 for Vodafone Spain (Source: Operators' websites).

PART XII. DIRECTORS, CORPORATE GOVERNANCE AND EMPLOYEES

1. Directors and Senior Managers

The Zegona Group is led and controlled by an effective Board. Biographical details of all Directors and details of their committee membership at the date of this Prospectus are provided below. Consideration of the Board size and composition is kept under regular review by the Nomination and Remuneration Committee.

Name	Function
Eamonn O'Hare	*Chairman and CEO*
Robert Samuelson	*Chief Operating Officer*
Ashley Martin	*Non-Executive Director*
Richard Williams	*Non-Executive Director*
Suzi Williams	*Non-Executive Director*

Details of the senior managers of the Zegona Group are set out below.

Name	Function
Menno Kremer	*Investment Director*

The business address of all of the Directors and senior managers is 8 Sackville Street, London, England, United Kingdom, W1S 3DG.

1.1 *Profiles of the Directors*

The names, business experience and principal business activities outside the Zegona Group of the Directors, as well as the dates of their initial appointment as Directors, are set out below. The composition of the Board will not change as a result of the Transaction.

Eamonn O'Hare, Chairman and CEO (appointed 19 January 2015)

Eamonn has spent over two decades as a board member and senior executive of some of the world's fastest-growing consumer and technology businesses. From 2009 to 2013 he was CFO and main board director of the UK's leading entertainment and communications business, Virgin Media. Eamonn helped lead the successful transformation of this business and its strategic sale to Liberty Global for U.S.$24 billion, crystallising U.S.$14 billion of incremental shareholder value. From 2005 to 2009, he served as the CFO for the UK division of one of the world's largest retailers, Tesco plc. Before joining Tesco, Eamonn was CFO and main board director of Energis Communications and helped lead the turnaround of this high-profile UK telecommunications company. Prior to this, he spent 10 years at PepsiCo Inc. in senior executive roles in Europe, Asia and the Middle East. Eamonn's early career was spent in the aerospace industry with companies that included Rolls Royce and British Aerospace.

Eamonn has a degree in Aerospace Engineering from the Queen's University Belfast and an MBA from the London Business School.

Robert Samuelson, Executive Director and Chief Operating Officer (appointed 19 January 2015)

Robert was Executive Director Group Strategy of Virgin Media from 2011 to 2014, during which time he was centrally involved in the sale of the business to Liberty Global and in the post-merger integration process. Prior to this, Robert was a managing partner at Virgin Group with global responsibility for developing and realising returns from Virgin's telecommunications and media businesses. Before joining Virgin Group, Robert was a director at Arthur D Little Ltd, where he co-led the European corporate finance practice, providing strategic advice to major European telecommunications operators. His early career was spent with British Aerospace and Royal Ordnance in engineering and production management roles.

Robert studied Natural Sciences at Cambridge University and has an MBA from Cranfield School of Management.

Richard Williams, Non-Executive Director (appointed 9 November 2015)

Richard is an experienced Non-Executive Director with significant board level experience in both public and private companies and currently holds a number of Non-Executive Director roles. Richard spent most of his executive career in European telecommunications, most recently as a Director of Investor Relations at Altice, and prior to that, Virgin Media. Richard led Virgin Media's investor relations activity through to the acquisition of the company by Liberty Global in 2013. Richard then joined Altice, where he supported the company's IPO and Altice's acquisition of SFR and Portugal Telecom.

Richard is a member of both the Nomination and Remuneration Committee and the Audit and Risk Committee. Richard is a qualified Chartered Accountant.

Ashley Martin, Non-Executive Director (appointed 6 February 2017)

Ashley brings a wealth of complementary experience to the Board. Ashley was Audit Committee Chair at Rightmove plc from 2009 to 2018 and, in that role, gained valuable insight into an entrepreneurial, high-growth consumer technology business. On 1 September 2018, Ashley was appointed as a non-executive director of the international research data and analytics group YouGov plc. Ashley has also enjoyed a successful executive career spanning 35 years in larger listed companies, with a particular focus on mergers and acquisitions. Ashley was Global Chief Financial Officer of private equity-backed Engine Holding LLC, and was previously the Group Finance Director of Rok plc, the building services group, and Group Finance Director of the media services company, Tempus plc.

Ashley is a qualified Chartered Accountant and is Chair of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee.

Suzi Williams, Non-Executive Director (appointed 5 February 2020)

Suzi brings broad experience from over 25 years in telecommunications, media and consumer businesses in the UK and internationally. This includes a decade as Chief Brand and Marketing Officer at BT plc. Prior to that, she held senior leadership roles at Orange, the BBC, KPMG Consulting, and Procter & Gamble.

Suzi is currently a non-executive director and chair of remuneration at FTSE 100 JD Sports plc, and NED and Chair of nominations at Telecom Plus plc. She also advises a number of early stage technology and AI businesses.

Prior NED roles include as NED & Remco chair at Workspace Group and at The AA (the latter from 2015 until 2021). Suzi was also a member of The Governments Great Advisory Board promoting British business overseas.

Suzi Chairs Zegona's Nomination and Remuneration Committee.

1.2 ***Profiles of other senior managers***

Menno Kremer, Investment Director

Menno was an executive director in the TMT investment banking group at Goldman Sachs, and has more than 12 years of experience in investment banking. During this period, he worked on a broad range of M&A transactions and debt and equity financings for leading European TMT companies.

Menno received a Masters degree in International Relations from the University of Groningen, in the Netherlands.

1.3 *Interests of the Directors and senior managers*

As at 10 November 2023 (being the latest practicable date prior to the publication of this Prospectus), the aggregate interests (all of which are beneficial) of the Directors, senior managers and persons closely associated with them in the share capital of the Company, and which have been notified by each Director or senior manager to the Company pursuant to Article 19 of the Market Abuse Regulation and its predecessor legislation (in the case of persons closely associated, so far as is known to the relevant Director or senior manager or could with reasonable diligence be ascertained by them), together with such interests as are expected to subsist immediately following Admission, are set out below:

	Interests as at 10 November 2023		Interests immediately following Admission and Re-Admission(1)	
Director/senior manager	Number of Existing Zegona Shares	Percentage of issued share capital	Number of Zegona Shares	Percentage of issued share capital
Eamonn O'Hare(2)	1,067,462	17.29%	1,067,462	0.15%
Robert Samuelson(2)	525,561	8.51%	525,561	0.07%
Richard Williams(3)	1,153	0.02%	27,819	0.00%
Ashley Martin(3)	212	0.00%	13,545	0.00%
Suzi Williams	-	- %	-	-%
Menno Kremer	100,013	1.62%	100,013	0.01%

Note:

(1) Assuming the maximum number of New Zegona Shares are subscribed for in the PrimaryBid Offer (and none of the above persons participates in the PrimaryBid Offer (other than Richard Williams and Ashley Martin, and assuming they receive their full allocation in the PrimaryBid Offer) or acquires or disposes of any Zegona Shares prior to Re-Admission) and the Company does not issue, or undertake any buybacks of, Zegona Shares prior to Re-admission.

(2) Eamonn O'Hare and Robert Samuelson also have interests in Management Shares, details of which are set out in paragraph 3 of Part XX *(Additional Information)*.

(3) Richard Williams has confirmed his intention to subscribe for approximately £40,000 of New Zegona Shares in the PrimaryBid Offer and Ashley Martin has confirmed his intention to subscribe for approximately £20,000 of New Zegona Shares in the PrimaryBid Offer.

Taken together, the combined percentage interest of the Zegona Directors and senior managers in the issued ordinary share capital of Zegona as at 10 November 2023 (being the latest practicable date prior to the publication of this Prospectus) was approximately 27 per cent. Taken together, the Zegona Directors and senior managers will have a combined percentage interest of approximately 0.2 per cent. in the share capital of Zegona immediately following completion of the Offer and the PrimaryBid Offer (assuming the maximum number of New Zegona Shares are subscribed for in the PrimaryBid Offer).

2. Corporate Governance

2.1 *The Board of Directors*

The Chairman and CEO is primarily responsible for the running of the Board and for the day to day running of the Zegona Group. All Board members have full access to the Zegona Group's advisers for seeking professional advice at Zegona's expense and the Zegona Group's culture is to openly discuss any important issues and frequently engage with Board members outside of formal meetings. The Zegona Group's wider organisational structure has clear lines of responsibility. Operating and financial responsibility for all subsidiary companies is the responsibility of the Board.

The Board meets formally at least six times a year but also frequently meets additionally on an ad hoc basis where necessary. The Directors are encouraged to have free and open contact with management at all levels and full access to all relevant available information. The Executive Directors actively and constructively encourage challenge and seek input from the Non-Executive Directors to draw on their extensive experience and knowledge. The Board believes that the role of the Non-Executive Directors in providing independent challenge is a vital component of an effective Board.

2.2 *Compliance with the UK Corporate Governance Code*

The UK Corporate Governance Code (the "Code") sets out a number of principles in relation to board leadership, effectiveness, accountability, remuneration and relations with shareholders.

Following the original admission of the Zegona Shares to the standard listing segment of the Official List and to trading on the Main Market, save as set out below, the Board has voluntarily (as a company admitted to the standard listing segment of the Official List) complied with the Code applicable to non-FTSE 350 companies, so far as practicable. Details and explanations of non-compliance with the July 2018 version of the Code (which came into force on 1 January 2019) are set out below.

2.3 ***Combined Chairman and CEO***

Provision 9 of the Code recommends that the roles of Chairman and the Chief Executive Officer should not be exercised by the same person and that the Chairman should be independent on appointment. Zegona does not comply with this requirement. The Board presently believes that Eamonn O'Hare's skills, knowledge and leadership have enabled him to effectively perform both roles. Zegona also maintains a schedule of Matters reserved for the Board which prevents Eamonn from authorising certain corporate actions without a formal resolution of the Board which is re-enforced by the Board's culture of detailed review and robust challenge on significant matters. As discussed below, the Board consider that it is important that this should continue to be kept under active review.

2.4 ***Appointment of a Senior Independent Director***

Provision 12 of the Code recommends that one Non-Executive Director should be appointed as a senior independent director to provide a sounding board for the chair and serve as an intermediary for the other Directors and shareholders. Zegona does not currently have a SID, and this has been the subject of active consideration since Zegona's formation. The Board fully recognises the value that can be provided by a SID and intends to reconsider if it should appoint a SID following Completion.

2.5 ***Equalisation of pension arrangements***

Provision 38 of the Code recommends that the pension contribution rate for the Executive Directors be the same as for the majority of the workforce. During the year, this was not the case however, this has been resolved in 2023, when the rate paid to the Executive Directors was equalised with the rate paid to the majority of the workforce.

2.6 ***Employee engagement***

Provisions 2, and 5 of the Code provide guidance for the implementation of procedures meant to ensure Zegona engages with and monitors its workforce. Given Zegona currently has only 5 employees (excluding Directors), the Board believes the implementation of any formal steps or procedures to engage with the workforce are not required as informal communications occur regularly between all employees and the Executive Directors, including weekly team meetings.

3. **Board Committees**

The Board has established two principal committees, the Audit and Risk Committee and the Nomination and Remuneration Committee, to assist it in the execution of its duties. If the need should arise, the Board may set up additional committees as appropriate. Each of the committees is authorised, at Zegona's expense, to obtain legal or other professional advice to assist in carrying out its duties. No person other than a committee member is entitled to attend the meetings of these committees, except by invitation of the chairman of that committee.

3.1 ***Audit and Risk Committee***

The Audit and Risk Committee currently comprises of two Non-Executive Directors, Ashley Martin and Richard Williams. Ashley Martin chairs the Audit and Risk Committee. Each member of the Audit and Risk Committee brings relevant financial experience from senior executive and non-executive positions as described in their biographies at paragraph 1.1 *(Profiles of the Directors)* of this Part XII.

The key responsibilities of the Audit and Risk Committee are as follows:

- Reviewing and monitoring the integrity of the financial statements of the Zegona Group, including the annual report and interim statement;
- Reviewing and challenging the consistency of and any changes to significant accounting policies, the appropriateness of estimates and judgements, the methods used to account for significant or unusual transactions and compliance with accounting standards;
- Reviewing and considering the annual report to ensure that it is fair, balanced and understandable and advising the Board on whether it can state that this is the case;
- Reviewing and challenging the going concern assumption and the assessment forming the basis of the

longer-term viability statement;

- Keeping under review the effectiveness of the Zegona Group's financial reporting, risk management and internal control systems and compliance controls, including the need for an internal audit function;
- Reviewing the Zegona Group's arrangements for its employees to raise concerns in confidence about possible wrongdoing in financial reporting or other matters, in accordance with the Company's whistleblowing policy;
- Reviewing the Zegona Group's procedures for detecting fraud and the systems and controls for the prevention of bribery; and
- Making recommendations to the Board on the appointment of the external auditor and its remuneration for audit and non-audit services, overseeing the relationship, assessing the effectiveness of the external audit process and monitoring the independence of the external auditor.

3.2 *Nomination and Remuneration Committee*

The Nomination and Remuneration Committee currently comprises of three Non-Executive Directors, Suzi Williams, Richard Williams and Ashley Martin. Suzi Williams chairs the Nomination and Remuneration Committee.

The key responsibilities of the Nomination and Remuneration Committee are as follows:

- regularly reviewing the size, structure and composition of the Board and by providing recommendations to the Board of any changes that may be necessary from time to time;
- giving full consideration to succession planning and the leadership needs of Zegona in order to ensure an optimum balance of Executive and Non-Executive Directors in terms of skills, expertise and diversity;
- keeping up to date and fully informed about strategic issues and commercial changes affecting the Company and the markets within which it operates;
- managing the process for director appointments, including the engagement of an external search agency, as may be deemed appropriate, and the oversight of director induction;
- evaluating the performance of the Board, its committees and its individual Directors and reporting its findings to the Board;
- recommending the policy that the Company should adopt on remuneration of the Executive Directors and members of senior management, including the engagement of an external remuneration consultant as may be deemed appropriate;
- attracting, retaining and motivating Executive Directors and senior management to encourage commitment to the development of the Zegona Group and for long term enhancement of shareholder value;
- determining the levels of remuneration for each of the Executive Directors and members of senior management; and
- producing the annual remuneration report to be approved by the members of the Company at annual general meetings.

4. **Employees**

The number of persons employed by the Zegona Group at 30 June 2023 are set out in the table below. These numbers are subject to fluctuations based on acquisitions and disposals of businesses in the Zegona Group in accordance with Zegona's strategy:

	2020	2021	2022
Zegona Employees			
Zegona Board Directors	6	6	**6**
Zegona senior management (excluding those counted as Subsidiary Board Directors)	3	3	2
Other staff of Zegona	3	2	2
Total	**12**	**11**	**10**

PART XIII. HISTORICAL FINANCIAL INFORMATION

A - Historical Financial Information of the Zegona Group

The consolidated financial statements of the Zegona Group for each of the financial years ended 31 December 2020, 2021 and 2022 as set out in the 2022 Zegona Annual Report, the 2021 Zegona Annual Report, the 2020 Zegona Annual Report (the "**Zegona Annual Reports**"), respectively, as well as the 30 June 2023 Zegona Half Year Results 2023 Statement dated 27 September 2023 (the "**Zegona Half Year Results 2023 Statement**") are incorporated by reference into this Prospectus, as explained in Part XXI *(Documents Incorporated by Reference)* of this Prospectus.

The consolidated financial statements contained in the 2020 Zegona Annual Report, 2021 Zegona Annual Report and 2022 Zegona Annual Report were audited by KPMG and the audit report for each such financial year was unmodified.

B - Historical Financial Information of Vodafone Spain

Accountant's Report in respect of the financial information of Vodafone Spain for the financial years ended 31 March 2021, 2022 and 2023.

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ey.com

The Directors
Zegona Communications plc
8 Sackville Street
London
W1S 3DG

13 November 2023

Dear Ladies and Gentlemen,

Vodafone Holdings Europe S.L.U.

We report on the consolidated financial information of Vodafone Holdings Europe S.L.U. set out in Section B of Part XIII of the prospectus (the "Prospectus") dated 13 November 2023 of Zegona Communications plc (the "Company"), for the years ended 31 March 2021, 31 March 2022 and 31 March 2023 (the "Financial Information of Vodafone Spain").

This report is required by item 18.3.1 of Annex 1 of the UK version of Commission Delegated Regulation (EU) 2019/980 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 of the UK version of Commission Delegated Regulation (EU) 2019/980, consenting to its inclusion in the Prospectus.

Opinion on the Financial Information

In our opinion, the Financial Information of Vodafone Spain gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of Vodafone Holdings Europe S.L.U. as at 31 March 2021, 31 March 2022 and 31 March 2023 and of its losses, comprehensive losses, cash flows and changes in equity for the periods then ended in accordance with UK-adopted International Accounting Standards ("UK-adopted IAS").

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information of Vodafone Spain in accordance with UK-adopted IAS.

It is our responsibility to form an opinion on the Financial Information of Vodafone Spain and to report our opinion to you.

Basis of preparation

The Financial Information of Vodafone Spain has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 1 to the Financial Information of Vodafone Spain.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information of Vodafone Spain. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information of Vodafone Spain and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information of Vodafone Spain is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Conclusions Relating to Going Concern

In performing our work on the Financial Information of Vodafone Spain, prepared on the basis that the acquisition of Vodafone Holdings Europe S.L.U. by the Company completes, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Information of Vodafone Spain is appropriate.

Based on the work we have performed, we have not identified any material uncertainties related to events or conditions that, individually or collectively, may cast significant doubt on Vodafone Holdings Europe S.L.U.'s ability to continue as a going concern for a period of at least twelve months from the date of the Prospectus.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R (2)(f) we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 of the UK version of Commission Delegated Regulation (EU) 2019/980.

Yours faithfully

Ernst & Young LLP

Ernst & Young LLP

Target Business Historical Financial Information

HISTORICAL FINANCIAL INFORMATION OF VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES

For the years ended 31 March 2023, 2022 and 2021

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Notes	2023 €000	2022 €000	2021 €000
Revenue	2	**3,906,713**	**4,180,058**	**4,166,421**
Supplies		(1,079,518)	(1,101,587)	(1,088,421)
Corporate costs	19	(257,968)	(347,194)	(282,319)
Other expenses		(996,310)	(1,132,738)	(1,075,098)
Net credit losses on financial assets	17	(34,862)	(115,484)	(125,855)
Depreciation, amortisation and impairment losses	3	(1,632,634)	(1,707,815)	(1,655,230)
Operating loss	2	**(94,579)**	**(224,760)**	**(60,502)**
Finance income	5	15,685	13,053	-
Finance costs	5	(119,377)	(67,808)	(78,182)
Loss for the period before income tax		**(198,271)**	**(279,515)**	**(138,684)**
Income tax credit	6	169	30,989	17,161
Loss for the period attributable to equity holders of the parent		**(198,102)**	**(248,526)**	**(121,523)**
Loss per share	7			
– Basic		**(0.22)**	**(0.28)**	**(0.13)**
– Diluted		**(0.22)**	**(0.28)**	**(0.13)**

The accompanying Notes 1 to 25 form an integral part of the Historical Financial Information.

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Assets				
Non-current assets				
Intangible assets	8	1,223,487	1,294,874	1,008,065
Property, plant and equipment	9	4,640,611	5,010,463	5,323,852
Other investments		1,913	3,330	3,617
Trade and other receivables	10	145,452	132,149	116,947
		6,011,463	**6,440,816**	**6,452,481**
Current assets				
Inventory		34,370	63,598	51,932
Taxation recoverable		371	234	256
Trade and other receivables	10	1,042,427	957,806	1,059,820
Cash and cash equivalents	14	4,479	4,642	6,619
		1,081,647	**1,026,280**	**1,118,627**
Total assets		**7,093,110**	**7,467,096**	**7,571,108**
Equity and Liabilities				
Equity				
Share capital	7	903,194	903,194	903,194
Share-based payment reserve		(13,745)	(11,469)	(7,946)
Accumulated (losses) / profit		(53,670)	144,557	392,601
Total equity attributable to equity holders of the parent		**835,779**	**1,036,282**	**1,287,849**
Non-current liabilities				
Borrowings	16	4,265,488	4,249,378	3,984,482
Deferred tax liabilities	6	3,240	3,660	15,462
Provisions	13	149,633	172,186	211,397
Trade and other payables	11	47,506	51,647	57,219
		4,465,867	**4,476,871**	**4,268,560**
Current liabilities				
Borrowings	16	366,985	390,546	442,487
Provisions	13	29,316	35,441	28,255
Trade and other payables	11	1,395,163	1,527,956	1,543,957
		1,791,464	**1,953,943**	**2,014,699**
Total equity and liabilities		**7,093,110**	**7,467,096**	**7,571,108**

The accompanying Notes 1 to 25 form an integral part of the Historical Financial Information.

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share based payment reserve	Accumulated (losses) / profit	Total equity
		€000	€000	€000	€000
Balance at 1 April 2020		**903,194**	**(8,774)**	**(2,635,946)**	**(1,741,526)**
Loss for the period attributable to equity holders of the parent				(121,523)	(121,523)
OCI		-	-	314	314
Share-based payments [1]	20, 19	-	828	-	828
Net assets distributed to owners	21			863,828	863,828
Dividend in specie	21	-	-	(974,000)	(974,000)
Leaseback gain retained	21			(240,072)	(240,072)
Contribution from parent	16	-	-	3,500,000	3,500,000
Balance at 31 March 2021		**903,194**	**(7,946)**	**392,601**	**1,287,849**
Loss for the period attributable to equity holders of the parent		-	-	(248,526)	(248,526)
OCI		-	-	482	482
Share-based payments [1]	20, 19	-	(3,523)	-	(3,523)
Balance at 31 March 2022		**903,194**	**(11,469)**	**144,557**	**1,036,282**
Loss for the period attributable to equity holders of the parent		-	-	(198,102)	(198,102)
OCI		-	-	(125)	(125)
Share-based payments [1]	20, 19	-	(2,276)	-	(2,276)
Balance at 31 March 2023		**903,194**	**(13,745)**	**(53,670)**	**835,779**

1 Share-based payments comprise of the charge of the awarded shares, measured at fair value as described in Note 20, and the payment as noted in the consolidated statement of cash flows.

The accompanying Notes 1 to 25 form an integral part of the Historical Financial Information.

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Cash inflows from operating activities	12	**1,359,284**	**1,386,530**	**1,550,056**
Cash outflows from investing activities		**(1,017,361)**	**(1,212,485)**	**(1,056,736)**
Purchase of intangible assets[1,2]	8	(360,894)	(818,872)	(429,656)
Purchase of property, plant, and equipment	9	(537,845)	(609,707)	(710,517)
Purchase of investments		(1,130)	(1,698)	(2,718)
Disposal of property, plant and equipment and intangible assets		4,172	374	1,286
Disposal of investments		2,587	1,984	1,552
Net amounts (paid)/received on intercompany loan receivables		(124,251)	215,434	83,317
Cash outflows from financing activities		**(342,086)**	**(176,022)**	**(493,173)**
Repayment of borrowings	17	(8,549)	(8,353)	(8,161)
Repayment of leases	17	(483,220)	(515,629)	(442,132)
Contribution from parent company		-	-	3,500,000
Settlement of share-based payment by parent company		(6,976)	(7,047)	(5,948)
Net amounts received/(paid) on intercompany loans	17	156,659	355,007	(3,536,932)
Other cash flows from financing activities		-	-	-
Net cash (outflow)/inflow		**(163)**	**(1,977)**	**147**
Cash and cash equivalents at beginning of the financial year		**4,642**	**6,619**	**6,472**
Cash and cash equivalents at the end of the financial year	14	**4,479**	**4,642**	**6,619**

Note:
1 Purchase of intangible assets as of 31 March 2022 includes €62,944 thousand collected as a result of the refund of spectrum fees as described in Note 8.
2 The purchase of intangible assets includes the commissions paid and categorised as costs of obtaining a contract, detailed within Note 8, to the value of €365,752 thousand, €344,923 thousand, and €307,504 thousand for the periods ended 31 March 2021, 31 March 2022 and 31 March 2023 respectively.

The accompanying Notes 1 to 25 form an integral part of the Historical Financial Information.

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES
Notes to the Historical Financial Information

1. Basis of preparation

Background to the transaction

As announced on 31 October 2023, Vodafone Group Plc has agreed to sell the entirety of its Spanish business to Zegona Communications Plc ('the Acquirer') which, subject to the satisfaction of certain conditions, is expected to complete between January and March 2024.

The transaction perimeter includes the trading entities (Vodafone España S.A.U., Vodafone ONO S.A.U. Vodafone Servicios, S.L.U. and Vodafone Energía S.L.U) and the holding company (Vodafone Holdings Europe S.L.U.) of the Spanish business (together the 'Vodafone Spain Group'). The details of the components are defined in Note 24. In September 2020, Vantage Towers Spain was carved-out from Vodafone Spain (for further details refer below).

The following financial information set out the selected Historical Financial Information which has been derived from the Spanish business consolidated statements of comprehensive income, financial position and cash flows as at the dates and for the periods ending 31 March 2023, 2022, and 2021, together with the disclosure notes.

Basis of preparation

Vodafone Spain is engaged in the provision of communications, entertainment and information services in Spain. The business operates a multi-brand model across mobile and fixed networks allowing it to provide converged offerings to both the premium (Vodafone) and low end (Lowi and Finetework) of the market.

The Historical Financial Information is prepared in accordance with the UK-adopted International Accounting Standards ('UK-adopted IAS') and has been prepared specifically for the purposes of this Prospectus and does not constitute statutory accounts within the meaning of section 434 (3) of the Companies Act 2006.

Vodafone Holdings Europe, S.L.U, is a limited partnership that was incorporated in Spain for an indefinite period on October 30, 2000. Its registered address is Avenida de América 115, 28042 in Madrid.

As of 31 March 2023, Vodafone Holdings Europe, S.L.U. is the parent company ('**the parent**') of the Vodafone group of companies in Spain (hereinafter the 'Group').

The Group was controlled by Vodafone Europe B.V., which is indirectly wholly owned by Vodafone Group Plc, a foreign company duly incorporated under the laws of the United Kingdom domiciled at Vodafone House, The Connection, Newbury, Berkshire RG14 2FN, United Kingdom, and registered under number 1833679 at the relevant Registry.

The principal accounting policies that have been applied to this financial information are outlined below. These policies have been consistently applied, unless otherwise stated.

The Group's critical accounting judgements and key sources of estimation uncertainty are detailed below. Actual outcomes could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

Management regularly reviews, and revises as necessary, the accounting judgements that significantly impact the amounts recognised in the Historical Financial Information and the estimates that are 'critical estimates' due to their potential to give rise to material adjustments in the Group's Historical Financial Information. Management has identified critical judgements in respect of revenue recognition, lease accounting, valuing assets and liabilities acquired in business combinations and the impacts of climate change. In addition, management has identified critical accounting estimates in relation to impairment reviews; estimates have also been identified that are not considered to be critical in respect of the allocation of revenue to goods and services, the useful economic lives of finite lived intangibles and property, plant, and equipment.

Most of the Group's provisions are either long-term in nature (such as asset retirement obligations) or relate to shorter-term liabilities (such as those relating to restructuring and property) where there is not considered to be a significant risk of material adjustment in the next financial year.

Going concern

Vodafone Group Plc has expressed its continuing financial support to maintain adequate financial resources to the Vodafone Spain Group to enable the Vodafone Spain Group to meet its liabilities as and when they become due, should that be necessary, for at least the period to 31 December 2024 or until the completion of its sale of the Vodafone Spain Group to Zegona, whichever occurs first. Consequently, and having considered the overall position of the Vodafone Group set out in its Annual Report and Accounts for the year end 31 March 2023, the Zegona Directors are satisfied the Vodafone Spain Group has the ability to continue as a going concern during the period until completion of the acquisition.

The going concern assessment has been performed for the period to 31 December 2024 and on the basis that the acquisition of the Vodafone Spain Group by Zegona completes. The acquisition will be funded by:

- Net proceeds from an equity raise, consisting of underwritten placing proceeds of €0.3 billion and a subscription by EJLSHM Funding Limited of €0.9 billion.
- An underwritten financing package of up to €4.2 billion, which comprises a term loan facility of up to €0.5 billion and a corporate bridge facility of up to €3.7 billion.

Basis of preparation (continued)

Going concern (continued)

The bridge loan is for a term of 12 months, with two 6-month extension options being available at the discretion of the Zegona Directors. This equity funding and debt financing have been taken into account for the purposes of the going concern assessment, with the transaction not proceeding without both debt and equity raises taking place. A financial covenant is attached to the underwritten financing package, however this is first measured on 31 March 2025 and hence is not applicable during the assessment period. In assessing whether the going concern assumption is appropriate, the Zegona Board considered the group cash flow forecasts of the Vodafone Spain Group following Completion of the Combination between Zegona and Vodafone Spain Group under various scenarios, identifying risks and mitigating factors and ensuring the Combined Group has sufficient funding to meet its current and contracted commitments as and when they fall due for the going concern assessment period. Such risks include increases to competition within the Spanish telecommunications sector, a failure to control customer churn rates or an increase in the cost base.

The Zegona Directors consider the preparation of the Historical Financial Information on a going concern basis to be appropriate. This is due to the following key factors:

- Operational performance for the period from 1 April 2023 to 31 October 2023 remains in line with previous reported performance levels and management forecasts, therefore supporting the free cash flows which have been modelled in the base case
- In addition to the equity raise and underwritten financing package described above, undrawn revolving credit facilities of €500m will be available to Zegona at transaction close
- As a result of the operating cash flows generated, the Zegona Directors' base case forecasts and stress test scenarios show that the revolving credit facility is sufficient to meet working capital requirements.

The Zegona Directors have assessed the going concern assumptions during the approval of the Historical Financial Information. The assessment includes the review of the Combined Group's cashflow forecast and budget, which included considerations on expected developments in liquidity, debt and capital. The Zegona Directors have also combined their selected sensitivities which include revenue reductions and increases in operating and capital expenditure assumptions and interest rates to arrive at potential severe but plausible downside scenarios and stress tests in concluding that the Combined Group is able to continue in operation throughout the going concern assessment period. In all plausible scenarios modelled, the Target Group continues to have sufficient liquidity and headroom throughout the going concern period.

The Zegona Group directors have also identified a number of mitigating actions that, under severe downside scenarios, the Zegona Group directors would aim to take to improve liquidity, such as the deferral or cancellation of non-committed capital spend, or the use of factoring arrangements.

The Zegona Directors have concluded that on the basis of the forecasts described above, and after taking into account the net proceeds of the equity fundraise and the funds available under the underwritten financing package, the Combined Group will continue in operational existence for the period to 31 December 2024. The Directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing the historical financial information.

Vantage Towers

In March 2020, a partial spin-off agreement of Vodafone España, S.A.U. in favour of Vodafone Towers Spain, S.L.U (actual Vantage Towers S.L.U ('**Vantage Towers**')) as beneficiary company, was published in the Mercantile Registry. Vodafone Towers was constituted as an autonomous economic unit dedicated to the possession of the passive telecommunications infrastructure for the provision of services to third parties through said infrastructure and that allows the installation of equipment for the emission and/or reception of signals through communication networks.

Assets and liabilities inherent in the assets of Vantage Towers were effectively transferred to the new entity which was still part of the Group.

As of 31 March 2020, the Group was committed to distribute the Vantage Towers business to the owners, therefore assets and liabilities were recognised as 'Held for distribution to owners' in the consolidated financial statements measured on the initial recognition at the lower of its carrying amount and fair value less costs to sell.

On 25 September 2020, the disposal of Vantage Towers through a distribution in specie was approved for an amount of €974,000 thousand, valuation assigned to the participation. The payment of the dividend was made effective through the transfer in favour of the ownership of the 10,000 shares representing 100% of the share capital of the company Vantage Towers, S.L.U. At the same time, Vantage Towers was carved-out from the Group but remained a related party as Vodafone Group controlled it. These balances have been accounted for as assets and liabilities held for distribution to owners as of 31 March 2020 (see Note 21 'Disposal').

On disposal of these assets, the Group entered into an arrangement in which the mobile base station towers were leased back (see Note 1.1.2 'Lease accounting' for more detail on the Group's Sales and leaseback accounting policy).

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES

Notes to the Historical Financial Information (continued)

1.1 Critical accounting judgements and key sources of estimation uncertainty

1.1.1 Revenue recognition

Revenue recognition under IFRS 15 necessitates the collation and processing of very large amounts of data and the use of management judgements and estimates to produce financial information. The most significant accounting judgements and source of estimation uncertainty are disclosed below.

Gross versus net presentation

If the Group has control of goods or services when they are delivered to a customer, then the Group is the principal in the sale to the customer; otherwise, the Group is acting as an agent. Whether the Group is the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses (see Note 2 'Revenue disaggregation') but do not impact reported assets, liabilities, or cash flows. Scenarios requiring judgement to determine whether the Group is a principal, or an agent include, for example, those where the Group delivers third-party branded software or services (such as TV content or cloud-based services) to customers and good or services delivered to customers in partnership with a third-party.

Allocation of revenue to goods and services provided to customers

Revenue is recognised when goods and services are delivered to customers (see Note 2 'Revenue disaggregation'). Goods and services may be delivered to a customer at different times under the same contract, hence it is necessary to allocate the amount payable by the customer between goods and services on a 'relative standalone selling price basis'; this requires the identification of performance obligations ('obligations') and the determination of standalone selling prices for the identified obligations. The determination of obligations is, for the primary goods and services sold by the Group, not considered to be a critical accounting judgement; the Group's policy on identifying obligations is disclosed in Note 2 'Revenue disaggregation'. The determination of standalone selling prices for identified obligations is discussed below.

It is necessary to estimate the standalone price when the Group does not sell equivalent goods or services in similar circumstances on a standalone basis. When estimating the standalone price, the Group maximises the use of external inputs; methods for estimating standalone prices include determining the standalone price of similar goods and services sold by the Group, observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach (which is sometimes the case for devices and other equipment). Where it is not possible to reliably estimate standalone prices due to a lack of observable standalone sales or highly variable pricing, which is sometimes the case for services, the standalone price of an obligation may be determined as the transaction price less the standalone prices of other obligations in the contract. The standalone price determined for obligations materially impacts the allocation of revenue between obligations and impacts the timing of revenue when obligations are provided to customers at different times – for example, the allocation of revenue between devices, which are usually delivered up-front, and services which are typically delivered over the contract period. However, there is not considered to be a significant risk of material adjustment to the carrying value of contract-related assets or liabilities in the 12 months after the balance sheet date if these estimates were revised.

1.1.2 Lease accounting

Lease accounting under IFRS 16 is complex and necessitates the collation and processing of very large amounts of data and the increased use of management judgements and estimates to produce financial information. The most significant accounting judgements are disclosed below.

Lease identification

Whether the arrangement is considered a lease, or a service contract depends on the analysis by management of both the legal form and substance of the arrangement between the Group and the counterparty to determine if control of an identified asset has been passed between the parties; if not, the arrangement is a service arrangement. Control exists if the Group obtains substantially all the economic benefit from the use of the asset, and has the ability to direct its use, for a period of time. An identified asset exists where an agreement explicitly or implicitly identifies an asset or a physically distinct portion of an asset which the lessor has no substantive right to substitute.

The scenarios requiring the greatest judgement include those where the arrangement is for the use of fibre or other fixed telecommunication lines. Generally, where the Group has exclusive use of a physical line it is determined that the Group can also direct the use of the line and therefore leases will be recognised. Where the Group provides access to fibre or other fixed telecommunication lines to another operator on a wholesale basis the arrangement will generally be identified as a lease, whereas when the Group provides fixed line services to an end-user, generally control over such lines is not passed to the end-user and a lease is not identified.

The impact of determining whether an agreement is a lease, or a service depends on whether the Group is a potential lessee or lessor in the arrangement and, where the Group is a lessor, whether the arrangement is classified as an operating or finance lease. The impacts for each scenario are described below where the Group is potentially:

- A lessee. The judgement impacts the nature and timing of both costs and reported assets and liabilities. A lease results in an asset and a liability being reported and depreciation and interest being recognised; the interest charge will decrease over the life of the lease. A service contract results in operating expenses being recognised evenly over the life of the contract and no assets or liabilities being recorded (other than trade payables, prepayments, and accruals).

Critical accounting judgements and key sources of estimation uncertainty (continued)

Lease accounting (continued)

- An operating lessor. The judgement impacts the nature of income recognised. An operating lease results in lease income being recognised whilst a service contract results in service revenue. Both are recognised evenly over the life of the contract.
- A finance lessor. The judgement impacts the nature and timing of both income and reported assets. A finance lease results in the lease income being recognised at commencement of the lease and an asset (the net investment in the lease) being recorded.

Lease term

Where leases include additional optional periods after an initial lease term, significant judgement is required in determining whether these optional periods should be included when determining the lease term. The impact of this judgement is significantly greater where the Group is a lessee. As a lessee, optional periods are included in the lease term if the Group is reasonably certain it will exercise an extension option or will not exercise a termination option; this depends on an analysis by management of all relevant facts and circumstances including the leased asset's nature and purpose, the economic and practical potential for replacing the asset and any plans that the Group has in place for the future use of the asset. Where a leased asset is highly customised (either when initially provided or as a result of leasehold improvements) or it is impractical or uneconomic to replace then the Group is more likely to judge that lease extension options are reasonably certain to be exercised. The value of the right-of-use asset and lease liability will be greater when extension options are included in the lease term. The normal approach adopted for lease term by asset class is described below.

The lease terms can vary significantly by type and use of asset. In addition, the exact lease term is subject to the non-cancellable period and rights and options in each contract. Generally, lease terms are judged to be the longer of the minimum lease term and:

- Between 5 and 10 years for land and buildings (excluding retail), with terms at the top end of this range if the lease relates to assets that are considered to be difficult to exit sooner for economic, practical or reputational reasons;
- To the next contractual lease break date for retail premises (excluding breaks within the next 12 months);
- Where leases are used to provide internal connectivity the lease term for the connectivity is aligned to the lease term or useful economic life of the assets connected;
- The customer service agreement length for leases of local loop connections or other assets required to provide fixed line services to individual customers; and
- Where there are contractual agreements to provide services using leased assets, the lease term for these assets is generally set in accordance with the above principles or for the lease term required to provide the services for the agreed service period, if longer.

In most instances the Group has options to renew or extend leases for additional periods after the end of the lease term which are assessed using the criteria above.

Lease terms are reassessed if a significant event or change in circumstances occurs relating to the leased assets that is within the control of the Group; such changes usually relate to commercial agreements entered into by the Group, or business decisions made by the Group. Where such changes change the Group's assessment of whether it is reasonably certain to exercise options to extend, or not terminate leases, then the lease term is reassessed and the lease liability is remeasured, which in most cases will increase the lease liability.

Sale and leaseback

Whether a transfer of an asset to another entity and leases that asset back, both the seller and the purchaser shall account the transfer contract as a sale and leaseback transaction.

If the initial transfer satisfies the requirement of IFRS 15 to be accounted as a sale, the Group as a seller-lessee shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee shall recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

Within the assets disposed in the carved-out of Vantage Towers (see Note 1 'Basis of preparation') there were mobile base station towers which were agreed to be leased back to locate network equipment for 8 years (see Note 21 'Disposals').

1.1.3 Deferred tax assets

Recognition of deferred tax assets

Significant items on which the Group has exercised accounting estimation and judgement include the recognition of deferred tax assets in respect of losses. The recognition of deferred tax assets, particularly in respect of tax losses, is based upon whether management judge that it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. The Group assesses the availability of future taxable profits using the same undiscounted five-year forecasts for the Group's operations as are used in the Group's value in use calculations (see Note 4 'Impairment losses').

Where tax losses are forecast to be recovered beyond the five-year period, the availability of taxable profits is assessed using the cash flows and long-term growth rates used for the value in use calculations.

Critical accounting judgements and key sources of estimation uncertainty (continued)

Deferred tax assets (continued)

The estimated cash flows inherent in these forecasts include the unsystematic risks of operating in the telecommunications business including the potential impacts of changes in the market structure, trends in customer pricing, the costs associated with the acquisition and retention of customers, future technological evolutions and potential regulatory changes, such as the ability to acquire and/or renew spectrum licenses.

Changes in the estimates which underpin the Group's forecasts could have an impact on the amount of future taxable profits and could have a significant impact on the period over which the deferred tax asset would be recovered.

The Group only considers substantively enacted tax laws when assessing the amount and availability of tax losses to offset against the future taxable profits.

1.1.4 Finite lived intangible assets

Intangible assets include amounts spent by the Group acquiring licences and spectrum, customer bases and the costs of purchasing and developing computer software. Estimates relating to the future cash flows and discount rates used may have a material effect on the reported amounts of finite lived intangible assets.

Where intangible assets are acquired through business combinations and no active market for the assets exists, the fair value of these assets is determined by discounting estimated future net cash flows generated by the asset.

Capitalisation of customer-related intangible assets

The direct and incremental costs of acquiring or retaining a customer relationship are recognised as customer-related asset if the Group expects to recover those costs. Customer-related assets refer to commissions paid to staff and agents for acquiring new customers and renewals of existing customers on behalf of the Group.

Customer-related intangible assets are capitalised whenever they meet all of the following criteria:

- Costs that the Group incurs to acquire a contract with a customer that it would not have incurred if the contract had not been obtained.
- Costs that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Neither IFRS 15, nor IAS 1 provide specific guidance on the presentation of assets arising from capitalised customer-related costs. Management considers that these contract costs are similar in nature to intangibles assets under IAS 38. This conclusion is based on the fact that customer contracts and customer relationships could be considering identifiable intangible assets. Management considers that the purpose of the commission payments is to incentivise the agent to identify the customer and persuade them to sign the contract. Therefore, the commissions paid to staff and agents forms part of the cost of acquiring these intangible assets.

The amortisation of customer-related intangible assets is recognised in the comprehensive income statement as part of depreciation, amortisation and impairment losses.

Estimation of useful life

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Useful lives are periodically reviewed to ensure that they remain appropriate. Management's estimates of useful life have a material impact on the amount of amortisation recorded in the year. The basis for determining the useful life for the most significant categories of intangible assets are discussed below.

Customer bases

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge.

Capitalised software

For computer software, the estimated useful life is based on management's view, considering historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. The useful life will not exceed the duration of a licence.

Customer-related intangible assets

Customer-related assets is a component of the intangible assets and are amortised over the contract life; typically, this is over the customer contract period as new commissions are payable on contract renewal.

1.1.5 Property, plant and equipment

Estimates and assumptions made may have a material impact on their carrying value and related depreciation charge. See Note 9 'Property, plant and equipment' to the Historical Financial Information for further details.

Critical accounting judgements and key sources of estimation uncertainty (continued)

Property, plant and equipment (continued)

Estimation of useful life

The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Management's estimates of useful life have a material impact on the amount of depreciation recorded in the year.

Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and considering other relevant factors such as any expected changes in technology.

1.1.6 Impairment reviews

IFRS requires management to perform impairment tests annually for finite lived assets if events or changes in circumstances indicate that their carrying amounts may not be recoverable.

A lack of observable market data on fair values for equivalent assets means that the Group's valuation approach for impairment testing focuses primarily on value in use. For several reasons, transaction values agreed as part of any business acquisition or disposal may be higher than the assessed value in use.

Impairment testing requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires estimates to be made in respect of highly uncertain matters including management's expectations of:

- Growth in adjusted EBITDAaL, calculated as detailed in Note 2
- Timing and amount of future capital expenditure, licence and spectrum payments;
- Long-term growth rates; and
- Appropriate discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the adjusted EBITDAaL and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence reported assets and profits or losses. Further details, including a sensitivity analysis, are included in Note 4 'Impairment losses' to the Historical Financial Information.

See additional commentary relating to climate change, below.

1.1.7 Contingent liabilities

The Group exercises judgement to determine whether to recognise provisions and the exposures to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation. Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise.

1.2 Significant accounting policies applied in the current reporting period that relate to the Historical Financial Information as a whole

1.2.1 Accounting convention

The Historical Financial Information is prepared on a historical cost basis except for certain financial and equity instruments that have been measured at fair value.

1.2.2 Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Vodafone Holdings Europe, S.L.U. and subsidiaries controlled by the Group (see Note 24 'Related undertakings' to the Historical Financial Information).

1.2.3 Foreign currencies

The Historical Financial Information is presented in euro, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Significant accounting policies applied in the current reporting period that relate to the Historical Financial Information as a whole (continued)

1.2.4 Current or non-current classification

Assets are classified as current in the consolidated statement of financial position where recovery is expected within 12 months of the reporting date. All assets where recovery is expected more than 12 months from the reporting date and all deferred tax assets, intangible assets and property, plant and equipment are reported as non-current.

Liabilities are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. For provisions, where the timing of settlement is uncertain, amounts are classified as non-current where settlement is expected more than 12 months from the reporting date. In addition, deferred tax liabilities, if any, are reported as non-current.

1.2.5 Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined based on weighted average costs and comprises direct materials.

1.2.6 Assessment on business impacts

How the COVID-19 pandemic has impacted the Group's line of business

On 11 March 2020, the World Health Organisation upgraded the public health emergency caused by the coronavirus outbreak (COVID-19) to an international pandemic. Events unfolded very fast both in Spain and abroad, prompting an unprecedented health crisis that has hit the macroeconomic environment and hampered business growth.

The Covid-19 outbreak developed rapidly in early 2020. Many countries required businesses to limit or suspend operations and implemented travel restrictions. These measures taken to contain the virus adversely affected economic activity. Based on the information available as of 31 March 2020, Management made adjustments to the five-year business plan used in the Group’s impairment testing to reflect the estimated impact. No relevant effects were noted after the year ended 31 March 2022.

Climate change

The Group takes environmental protection laws into account in its overall operations and believes that it is in material compliance with such laws and maintains procedures designed to promote and ensure compliance.

An environmental activity is defined as any operation the main purpose of which is to minimise any environmental impact and protect and improve the Environment. Furthermore, it has not been deemed necessary to record any environmental provisions as there are no environmental protection and improvement-related contingencies, nor any environmental liabilities.

During the year ended 31 March 2023, the Group continued to invest in environmental protection and improvement. The measures adopted included most notably initiatives aimed at minimising the visual and acoustic impact of infrastructure, the payment of environmental licences, the use of alternative energies and waste recycling and control actions. These measures led to the addition of new functions to equipment and plant totalling €4,139 thousand (year ended 31 March 2022 €2,813 thousand and year ended 31 March 2021 €1,122 thousand) and expenses of €4,094 thousand during the financial year (year ended 31 March 2022: €2,681 thousand and year ended 31 March 2021 €1,185 thousand).

At year-end, the Group did not have any environmental protection and improvement-related contingencies, or compensation receivable from third parties.

1.2.7 New accounting pronouncements and basis of preparation changes to be adopted on or after 1 April 2022

The Group adopted the following new accounting policies on 1 April 2022 to comply with amendments to IFRS. The accounting pronouncements, none of which had a material impact on the Group’s financial reporting on adoption, are:

- Annual Improvements to IFRS Standards 2018-2020.
- Amendments to IAS 16 ‘Property, Plant and Equipment: Proceeds before Intended Use’.
- Amendments to IAS 37 ‘Onerous Contracts - Cost of Fulfilling a Contract’;
- Amendments to IFRS 3 ‘Reference to the Conceptual Framework’; and
- Amendments to IAS 12 ‘International Tax Reform – Pillar Two Model Rules’.

Significant accounting policies applied in the current reporting period that relate to the Historical Financial Information as a whole (continued)

1.2.8 New accounting pronouncements to be adopted on or after 1 April 2023

The following new standards and narrow-scope amendments have been issued by the IASB and are effective for annual periods beginning on or after 1 January 2023:

- IFRS 17 'Insurance Contracts' and Amendments to IFRS 17 'Insurance Contracts';
- Amendments to IAS 1 'Disclosure of Accounting Policies';
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-Current';
- Amendment to IAS 8 'Definition of Accounting Estimates'; and
- Amendment to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'.

The following new standard has been issued by the IASB and is effective for annual periods beginning on or after 1 January 2024:

- Amendments to IFRS 16 'Lease Liability in a Sale and Leaseback'.

The Group is assessing the impact of these new standards and the Group's financial reporting will be presented in accordance with these standards from the commencement of the accounting period to which they relate. The changes are not expected to have a material impact on the consolidated statement of comprehensive income, consolidated statement of financial position or consolidated statement of cash flows.

1.2.9 Accounting pronouncements not yet endorsed by the United Kingdom

The following narrow-scope amendments have been issued by the IASB but not yet endorsed by the United Kingdom:

- Amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements'; and
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability'.

2. Revenue disaggregation

The Group activity is focused on providing telecommunications services under a common network and strategic decisions are independent of the Group's structure. Selected financial data is presented on this basis below.

Accounting policies

Revenue

When the Group enters into an agreement with a customer, goods and services deliverable under the contract are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified. The obligations identified will depend on the nature of individual customer contracts, but might typically be separately identified for mobile handsets, other equipment such as set-top boxes and routers provided to customers and services provided to customers such as mobile and fixed line communication services. Where goods and services have a functional dependency (for example, a fixed line router can only be used with the Group's services) this does not, in isolation, prevent those goods or services from being assessed as separate obligations. Activities relating to connecting customers to the Group's network for the future provision of services are not considered to meet the criteria to be recognised as obligations except to the extent that the control of related equipment passes to customers.

The Group determines the transaction price to which it expects to be entitled in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. Where indirect channel dealers, such as retailers, acquire customer contracts on behalf of the Group and receive commission, any commissions that the dealer is compelled to use to fund discounts or other incentives to the customer are treated as payments to the customer when determining the transaction price and consequently are not included in contract acquisition costs.

The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis; where standalone selling prices are not directly observable, estimation techniques are used maximising the use of external inputs. See 'Critical accounting judgements and key sources of estimation uncertainty' in Note 1 for details. Revenue is recognised when the respective obligations in the contract are delivered to the customer and cash collection is considered probable. Revenue for the provision of services, such as mobile airtime and fixed line broadband, is recognised when the Group provides the related service during the agreed service period.

Revenue for device sales to end customers is generally recognised when the device is delivered to the end customer. For device sales made to intermediaries such as indirect channel dealers, revenue is recognised if control of the device has transferred to the intermediary and the intermediary has no right to return the device to receive a refund; otherwise, revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of any right of return.

Where refunds are issued to customers, they are deducted from revenue in the relevant service period.

When the Group has control of goods or services prior to delivery to a customer, then the Group is the principal in the sale to the customer. As a principal, receipts from, and payments to, suppliers are reported on a gross basis in revenue and operating costs. If another party has control of goods or services prior to transfer to a customer, then the Group is acting as an agent for the other party and revenue in respect of the relevant obligations is recognised net of any related payments to the supplier and recognised revenue represents the margin earned by the Group. See 'Critical accounting judgements and key sources of estimation uncertainty' in Note 1 for details.

When revenue recognised in respect of a customer contract exceeds amounts received or receivable from a customer at that time a contract asset is recognised; contract assets will typically be recognised for handsets or other equipment provided to customers where payment is recovered by the Group via future service fees. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the Group receives an advance payment from a customer, a contract liability is recognised. When contract assets or liabilities are recognised, a financing component may exist in the contract; this is typically the case when a handset or other equipment is provided to a customer up-front, but payment is received over the term of the related service agreement, in which case the customer is deemed to have received financing. If a significant financing component is provided to the customer, the transaction price is reduced, and interest revenue is recognised over the customer's payment period using an interest rate reflecting the relevant central bank rates and customer credit risk.

Contract-related costs

When costs directly relating to a specific contract are incurred prior to recognising revenue for a related obligation, and those costs enhance the ability of the Group to deliver an obligation and are expected to be recovered, then those costs are recognised in the statement of financial position as fulfilment costs and are recognised as expenses in line with the recognition of revenue when the related obligation is delivered.

Revenue disaggregation (continued)

Customer-related intangible assets

The direct and incremental costs of acquiring or retaining a customer relationship including, for example, certain commissions payable to staff or agents for acquiring or retaining customers on behalf of the Group, are recognised as an customer-related intangible asset in the statement of financial position when the related payment obligation is recorded (see Intangibles Assets Note 8). Costs are amortised over the contract life; typically, this is over the customer contract period as new commissions are payable on contract renewal.

Revenue disaggregation and segmental statement of comprehensive income analysis

Revenue reported for the year includes revenue from contracts with customers as well as other revenue items including revenue from equipment revenue, leases and interest revenue arising from transactions with a significant financing component. Revenue from leases is disclosed in Note 15 ‘Leases’.

The table below presents Revenue:

	2023 €000	**2022 €000**	**2021 €000**
Service revenue	3,514,413	3,713,571	3,788,479
Equipment revenue	307,156	368,893	291,648
Revenue from contracts with customers	**3,821,569**	**4,082,464**	**4,080,127**
Interest revenue	26,140	24,321	22,402
Oher revenue	59,004	73,273	63,892
Total revenue	**3,906,713**	**4,180,058**	**4,166,421**

Performance metrics

Non-GAAP measure	Purpose	Definition
Adjusted EBITDA	Adjusted EBITDA and adjusted EBITDAaL is used in conjunction with financial measures such as operating profit to assess the Group’s operating performance and profitability. It is a key external metric used by the investor community to assess performance of the Group’s operations.	Adjusted EBITDA is operating profit excluding net interest, depreciation, amortisation (including amortisation of customer-related intangible assets), and gains/losses on disposal of owned and leased assets, impairment losses, restructuring costs arising from discrete restructuring plans, other income and expense and significant items that are not considered by management to be reflective of the underlying performance of the Group. Adjusted EBITDAaL includes the impacts on lease-related right of use assets and interest on lease liabilities.

Revenue disaggregation (continued)

A reconciliation of adjusted EBITDA and adjusted EBITDAaL, the Group's measures of segment performance, to the Group's profit or loss before taxation for the financial year is shown below.

	2023 €000	2022 €000	2021 €000
Adjusted EBITDA	**1,557,461**	**1,571,726**	**1,644,032**
Depreciation and gain on disposal of leased assets[1,2]	(423,790)	(435,957)	(409,865)
Interest on lease liabilities	(31,801)	(32,899)	(28,807)
Adjusted EBITDAaL	**1,101,870**	**1,102,870**	**1,205,360**
Restructuring costs[2]	(7,950)	(95,147)	(22,426)
Interest on lease liabilities	31,801	32,899	28,807
Loss on disposal of owned assets	(12,266)	(16,818)	(27,069)
Depreciation of owned assets (Note 9)	(718,915)	(782,376)	(773,134)
Amortisation of owned assets (Note 8) [3]	(149,655)	(109,106)	(127,552)
Amortisation of customer-related intangible assets[3]	(339,464)	(357,082)	(344,488)
Impairment losses	-	-	-
Operating loss	**(94,579)**	**(224,760)**	**(60,502)**
Net financing costs	(103,692)	(54,755)	(78,182)
Loss before taxation	**(198,271)**	**(279,515)**	**(138,684)**

Notes:
1 The current year includes a gain on disposal of leased assets of €810 thousand (2022: €875 thousand, 2021: €192 thousand).
2 Restructuring costs includes a depreciation charge of Nil for the year ending 31 March 2023 (2022: €22,419 thousand, 2021 Nil) relating to the reassessment of the useful lives of certain leased assets as part of the Group's restructuring plans.
3 The amortisation expense of the customer-related intangible assets is presented in a separate line and reflects the Acquiror's accounting policy for capitalisation of customer-related intangible assets. Customer-related intangible assets are disclosed in Note 8.

Restructuring costs comprises certain restructuring plans, including staff reductions, the outsourcing of retail channels and optimisation of the retail structure, reorganisation of spaces, and others, to reduce cost and improve the efficiency of the Group.

Segmental analysis

The Group operates with a single segment since all the Group companies are focused on providing telecommunications services under a common network and strategic decisions are independent of the Group's structure.

3. Operating loss

Detailed below are the key amounts recognised in arriving at operating loss.

	2023 €000	2022 €000	2021 €000
Amortisation of intangible assets (Note 8)	489,119	466,188	472,040
Depreciation of property, plant and equipment (Note 9):			
Owned assets	718,915	782,376	773,134
Leased assets	424,600	459,251	410,056
Depreciation, amortisation and impairment losses	**1,632,634**	**1,707,815**	**1,655,230**
Corporate costs (Note 19)	257,968	347,194	282,319
Acquisition and retention costs	537,416	578,885	532,606
Amounts related to inventory of finished goods	423,832	477,831	412,202
Own costs capitalised attributable to the construction or acquisition of property, plant and equipment	(66,642)	(61,688)	(59,018)

4. Impairment loss

Impairment occurs when the carrying value of assets is greater than the present value of the net cash flows they are expected to generate. We review the carrying value of assets for the common network and goodwill at least annually. For further details of the impairment review process see 'Critical accounting judgements and key sources of estimation uncertainty' in Note 1 'Basis of preparation' to the Historical Financial Information.

Accounting policies

Property, plant and equipment, finite lived intangible assets

At each reporting period date, the Group reviews the carrying amounts of its property, plant and equipment, finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and an impairment loss is recognised immediately in the statement of comprehensive income.

Where there has been a change in the estimates used to determine recoverable amount and an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years and an impairment loss reversal is recognised immediately in the statement of comprehensive income.

Impairment losses

Following our annual impairment review, no impairment charges were recognised in the consolidated statement of losses. Further detail on the key assumptions is included below.

Impairment loss (continued)

Key assumptions used in the value in use calculations

The key assumptions used in determining the value in use are:

Assumption	How determined
Projected adjusted EBITDAaL	Projected adjusted EBITDAaL has been based on past experience adjusted for the following:
	– Mobile revenue is expected to benefit from increased usage as customers transition to higher data bundles, and new products and services are introduced. Fixed revenue is expected to continue to grow as penetration is increased and more products and services are sold to customers;
	– Margins are expected to be impacted by negative factors such as the cost of acquiring and retaining customers in increasingly competitive markets and by positive factors such as the efficiencies expected from the implementation of Group initiatives; and
	– To include the amortisation of customer-related intangible assets.
Projected capital expenditure	The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditure required to maintain the networks, provide products and services in line with customer expectations, including of higher data volumes and speeds, and to meet the population coverage requirements of certain of the Group's licences. Capital expenditure is required to roll out capacity-building next generation 5G and gigabit networks.
Projected licence and spectrum payments	To enable the continued provision of products and services, the cash flow forecasts for licence and spectrum payments include amounts for expected renewals and newly available spectrum. Beyond the five-year forecast period, a long-run cost of spectrum is assumed.
Long-term growth rate	For the purposes of the Group's value in use calculations, a long-term growth rate into perpetuity is applied immediately at the end of the five-year forecast period and is based on a management estimate that is lower than Spain's nominal GDP growth rate forecast.
Pre-tax discount rate	The pre-tax discount rate is derived such that when applied to pre-tax cash flows it gives the same result as when the observable post-tax weighted average cost of capital is applied to post-tax cash flows. The statutory tax rates are adjusted to reflect the impact of tax losses available to offset against taxable profits.
	The assumptions used to develop the discount rate are benchmarked to externally available data: – The risk-free rate is derived from an average yield of the ten year bond issued by the government; and – the forward-looking equity market risk premium (an investor's required rate return over and above a risk-free rate) is based on studies by independent economists, the long-term average equity market risk premium and the market risk premiums typically used by valuation practitioners; and – the asset beta reflecting the systematic risk of the telecommunications segment relative to the market as a whole is determined from betas observed for comparable listed telecommunications companies; and – the region-specific leverage ratio is estimated from ratios observed for comparable listed telecommunications companies; and – the discount rate is determined in nominal terms in order to match its nominal estimates of future cash flows.
COVID-19	The COVID-19 outbreak developed rapidly in early 2020, and measures to contain the virus adversely affected economic activity and disrupted many businesses. Management made additional adjustments to the five-year business plan used in the Group's impairment testing in March 2020 to reflect the estimated impact. The impact of COVID-19 on the Group's impairment testing diminished in March 2021 and March 2022 and where appropriate, management included their estimates in the five-year business plan.

Year ended 31 March 2023

The Group performs its annual impairment test for goodwill at 31 March and when there is an indicator of impairment of an asset. At each reporting period date judgement is exercised by management in determining whether any internal or external sources of information observed are indicative that the carrying amount of any of the Group's cash generating unit is not recoverable.

No impairment loss or reversal of impairment was recognised during the year to 31 March 2023. No changes to the business or its activities have taken place during the period to warrant an impairment loss reversal.

Impairment loss (continued)

Value in use assumptions

	pps
Pre-tax discount rate	7.7
Long-term growth rate	1.5
Projected adjusted EBITDAaL CAGR[1]	0.2
Projected capital expenditure[2]	12.4 – 13.5

Notes:
1 Projected adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.

Sensitivity analysis

The estimated recoverable amount of the Group exceeds its carrying value by €79,500 thousand if the assumptions used in the impairment review were changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognised for the year ended 31 March 2023.

Change required for carrying value to equal recoverable amount:

	pps
Pre-tax discount rate	0.1
Long-term growth rate	(0.1)
Projected adjusted EBITDAaL CAGR[1]	(0.3)
Projected capital expenditure[2]	0.5

Notes:
1 Projected adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Management has prepared the following sensitivity analysis for changes in projected adjusted EBITDAaL CAGR[1] , long-term growth rate and pre-tax discount rate assumptions. The associated impact of the change in each key assumption does not consider any consequential impact on other assumptions used in the impairment review.

	Recoverable amount less carrying value €000
Base case as at 31 March 2023	79,500
Change in projected adjusted EBITDAaL CAGR[1]	
Decrease by 5.0pps	(1,084,338)
Increase by 5.0pps	1,480,243
Change in long-term growth rate	
Decrease by 1.0pps	(421,381)
Increase by 1.0pps	802,550
Change in pre-tax discount rate	
Decrease by 1.0pps	876,747
Increase by 1.0pps	(494,926)

Note:
1 Projected Adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.

Year ended 31 March 2022

The Group performs its annual impairment test for goodwill at 31 March and when there is an indicator of impairment of an asset. At each reporting period date judgement is exercised by management in determining whether any internal or external sources of information observed are indicative that the carrying amount of any of the Group's cash generating unit is not recoverable.

No impairment loss or reversal of impairment was recognised during the year to 31 March 2022. No changes to the business or its activities have taken place during the period to warrant an impairment loss reversal.

Impairment loss (continued)

Value in use assumptions

The table below shows key assumptions used in the value in use calculation.

	pps
Pre-tax discount rate	8.4
Long-term growth rate	1.0
Projected adjusted EBITDAaL CAGR[1]	4.1
Projected capital expenditure[2]	14.7-15.6

Notes:
1 Projected Adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.

Sensitivity analysis

The estimated recoverable amount of the Group exceeds its carrying value by €118,600 thousand. If the assumptions used in the impairment review were changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognised for the year ended 31 March 2022.

Change required for carrying value to equal recoverable amount:

	pps
Pre-tax discount rate	0.2
Long-term growth rate	(0.2)
Projected adjusted EBITDAaL CAGR[1]	(0.5)
Projected capital expenditure[2]	0.7

Notes:
1 Projected adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Management has prepared the following sensitivity analysis for changes in projected adjusted EBITDAaL CAGR[1], long-term growth rate and pre-tax discount rate assumptions. The associated impact of the change in each key assumption does not consider any consequential impact on other assumptions used in the impairment review.

	Recoverable amount less carrying value €000
Base case as at 31 March 2022	118,600
Change in projected adjusted EBITDAaL CAGR[1]	
Decrease by 5.0pps	(1,093,410)
Increase by 5.0pps	1,569,091
Change in long-term growth rate	
Decrease by 1.0pps	(373,431)
Increase by 1.0pps	787,591
Change in pre-tax discount rate	
Decrease by 1.0pps	864,691
Increase by 1.0pps	(446,908)

Note:
1 Projected adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.

Year ended 31 March 2021

The Group performs its annual impairment test for goodwill at 31 March and when there is an indicator of impairment of an asset. At each reporting period date judgement is exercised by management in determining whether any internal or external sources of information observed are indicative that the carrying amount of any of the Group's cash generating units is not recoverable. Vantage Towers was sold during the year (see Note 1 'Basis of preparation').

No impairment loss or reversal of impairment was recognised during the year to 31 March 2021. No changes to the business or its activities have taken place during the period to warrant an impairment loss reversal.

Impairment loss (continued)

Value in use assumptions

The table below shows key assumptions used in the value in use calculation.

	pps
Pre-tax discount rate	9.1
Long-term growth rate	0.5
Projected adjusted EBITDAaL CAGR[1]	4.9
Projected capital expenditure[2]	15.7-17.6

Notes:
1 Projected Adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.

Sensitivity analysis

The estimated recoverable amount of the Group exceeds its carrying value by €730,200 thousand. If the assumptions used in the impairment review were changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognised for the year ended 31 March 2021.Change required for carrying value to equal recoverable amount:

	pps
Pre-tax discount rate	1.3
Long-term growth rate	(1.6)
Projected adjusted EBITDAaL CAGR[1]	(3.8)
Projected capital expenditure[2]	3.9

Notes:
1 Projected Adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.

Management has prepared the following sensitivity analysis for changes in projected adjusted EBITDAaL CAGR[1] and long-term growth rate assumptions. The associated impact of the change in each key assumption does not consider any consequential impact on other assumptions used in the impairment review.

	Recoverable amount less carrying value €000
Base case as at 31 March 2021	730,200
Change in projected adjusted EBITDAaL CAGR[1]	
Decrease by 5.0pps	(214,699)
Increase by 5.0pps	1,857,245
Change in long-term growth rate	
Decrease by 1.0pps	244,096
Increase by 1.0pps	1,359,276

Note:
1 Projected adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.

5. Net financing costs

Net financing costs mainly arise from interest due on loans from Vodafone Group Plc and lease liabilities.

	2023 €000	2022 €000	2021 €000
Financing income			
Interest related to the recovery of excess licenses fees[1]	-	11,500	-
Other financing income[2]	15,685	1,553	-
	15,685	**13,053**	**-**
Financing costs			
Financial liabilities measured at amortised cost			
Lease liabilities	31,801	32,899	28,807
Loans from related parties and other liabilities	87,576	34,909	49,375
	119,377	**67,808**	**78,182**
Net financing costs	**103,692**	**54,755**	**78,182**

1 Related to movements in intangible assets as described in Note 8.
2 Mainly related to the compensation received for the positive judgment of a lawsuit.

6. Taxes

This note explains how the Group tax charge / credit arises. The deferred tax section of the note also provides information on the expected future tax charges / credits and sets out the tax assets held across the Group together with the view on whether or not we expect to be able to make use of these in the future.

Fiscal consolidation regime

The individual taxable income is included in the taxable income of the tax consolidation group of which Vodafone Group Plc is the ultimate parent company and Vodafone Holdings Europe, S.L.U. is the representative parent company in Spain.

During the year ended 31 March 2021, the shares of Vantage Towers, S.L.U. were transferred to the ultimate parent company. Based on the provisions of Article 58.3 of the Revised Text of the Corporate Tax Act, the transfer of the shares of Vantage Towers, S.L.U. does not result in the exclusion of this company from the Spanish tax consolidation group, insofar as the Vodafone Group Plc of the group holds an interest of at least 75% in this entity at the end of the year ended 31 March 2022.

On 23 March 2023, Vodafone Group Plc and Vantage Towers AG announced a new ownership structure with a consortium of long-term infrastructure investors led by Global Infrastructure Partners (GIP) and KKR where such parent company reduced its indirect interest in Vantage Towers S.L.U. to 57,3% at the end of the year ended 31 March 2023. As a result, Vantage Towers S.L.U. has been excluded from the Spanish tax consolidation perimeter.

Accounting policies

Income tax expense represents the sum of the current and deferred taxes.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting period date.

The Group recognises provisions for uncertain tax positions when the Group has a present obligation as a result of a past event and management judge that it is probable that there will be a future outflow of economic benefits from the Group to settle the obligation. Uncertain tax positions are assessed and measured on an issue-by-issue basis within the jurisdictions that we operate either using management's estimate of the most likely outcome where the issues are binary, or the expected value approach where the issues have a range of possible outcomes. The Group recognises interest on late paid taxes as part of financing costs, and any penalties, if applicable, as part of the income tax expense. Taxes are opened to inspection for a period of 4 years in Spain.

Subsequently to 31 March 2023, the tax authorities has communicated to the Group the opening of a verification process for some subsidiaries and for the following taxes and periods:

Type	**Periods**
Income tax	Fiscal Year 2019 -2022
VAT	April 2019 – December 2022
Personal income tax	April 2019 – December 2022
Tax for Non-Residents	April 2019 – December 2022

The Group does not expect that, at the end of this process, liabilities will arise that could significantly affect the Group.

Taxes (continued)

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of non-tax-deductible goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting period date and adjusted to reflect changes in the Group's assessment that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting period date.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they either relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

Tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the tax is recognised in other comprehensive income or in equity.

Income tax credit directly attributable to comprehensive loss for the year

	2023 €000	2022 €000	2021 €000
Current year	168	19,394	16,813
Adjustments in respect of prior years	(419)	(207)	212
Current tax	**(251)**	**19,187**	**17,025**
Deferred tax credit	420	11,802	136
Income tax credit directly attributable to comprehensive loss for the year	**169**	**30,989**	**17,161**

Factors affecting the tax credit for the year

Below is a reconciliation between the accounting profit for the periods presented in the Historical Financial Information year ended 31 March 2023 and the taxable income for corporation tax purposes:

	2023 €000	2022 €000	2021 €000
Loss before tax as shown in the consolidated statement of comprehensive loss	**(198,271)**	**(279,515)**	**(138,684)**
Expenses not deductible for tax purposes:			
Permanent	3,358	14,271	(8,833)
Temporary	(202,478)	149,967	(275,588)
Taxable base (Tax result)	**(397,391)**	**(115,277)**	**(423,105)**
Full tax rate (25%)	99,348	28,819	105,776
Tax credits and tax relief	2,047	4,052	2,422
Income tax credit	**101,395**	**32,871**	**108,198**
Impact of unrecognised deferred tax assets	(101,226)	(1,882)	(91,037)
Income tax credit directly attributable to comprehensive loss for the year	**169**	**30,989**	**17,161**

Taxes (continued)

Deferred tax

Analysis of movements in the net deferred tax liability balance during the year:

	€000
1 April 2020	**(15,598)**
Credited to the statement of comprehensive income	136
31 March 2021	**(15,462)**
Credited to the statement of comprehensive income	11,802
31 March 2022	**(3,660)**
Credited to the statement of comprehensive income	420
31 March 2023	**(3,240)**

Deferred tax assets on losses

Deferred tax assets and liabilities, before offset of balances are as follows:

	Amount credited/ (expensed) in the statement of comprehensive loss €000	Gross deferred tax assets €000	Gross deferred tax liability €000	Net recognised deferred tax asset/(liability) €000
1 April 2020	**(4,272)**	**160,585**	**(176,183)**	**(15,598)**
Accelerated tax depreciation	3,495		3,495	3,495
Temporary differences relating to revenue recognition	(5,962)	834	(6,796)	(5,962)
Other temporary differences	2,603	(903)	3,506	2,603
31 March 2021	**136**	**160,516**	**(175,978)**	**(15,462)**
Accelerated tax depreciation	1,134	-	1,134	1,134
Temporary differences relating to revenue recognition	73,562	(1,523)	75,085	73,562
Other temporary differences	(62,894)	(66,343)	3,449	(62,894)
31 March 2022	**11,802**	**92,650**	**(96,310)**	**(3,660)**
Accelerated tax depreciation	285	-	285	285
Temporary differences relating to revenue recognition	9,477	(399)	9,876	9,477
Other temporary differences	(9,342)	(14,485)	5,143	(9,342)
31 March 2023	**420**	**77,766**	**(81,006)**	**(3,240)**

The Group has tax losses of €4,750,456 thousand (2022: €4,673,605 thousand, 2021: €4,316,442 thousand) which are available to offset against the future profits of the Spanish Group subsidiary companies. The losses do not expire. A change in control might impact the use of losses in future years. No deferred tax asset is recognised for these losses due to the trading environment in Spain.

Deferred tax liabilities correspond mainly to accelerated tax depreciation and to revenue recognition temporary differences. Deferred tax assets mainly relate to personnel restructuring provisions and differences between tax and accounting assets depreciation.

7. Loss per share

Basic loss per share is the amount of losses generated for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year.

	2023 €000	2022 €000	2021 €000
(Loss) for basic and diluted losses per share	**(198,102)**	**(248,526)**	**(121,523)**
	2023 thousand	**2022 thousand**	**2021 thousand**
Weighted average number of shares	**903,194**	**903,194**	**903,194**
	eurocents	**eurocents**	**eurocents**
Basic and diluted loss per share from continuing operations	**(0.22)**	**(0.28)**	**(0.13)**

The share capital of Vodafone Holdings Europe, S.L.U is represented by 903,194,000 fully subscribed and paid up ordinary registered shares of €1 par value each.

8. Intangible assets

The statement of financial position contains significant intangible assets, mainly in relation to licences, spectrum and customer-related intangible assets. Licences and spectrum are amortised over the life of the licence, including extensions. Customer-related intangible assets are typically amortised over the life of the contract. For further details see 'Critical accounting judgements and key sources of estimation uncertainty' in Note 1 'Basis of preparation' to the Historical Financial Information.

Accounting policies

Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured. Identifiable intangible assets are recognised at fair value when the Group completes a business combination. The determination of the fair values of the separately identified intangibles, is based, to a considerable extent, on management's judgement.

Finite lived intangible assets

Intangible assets with finite lives are stated at acquisition or development cost, less accumulated amortisation. The amortisation period and method are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Licence and spectrum fees

Amortisation periods for licence and spectrum fees are determined primarily by reference to the unexpired licence period, the conditions for licence renewal and whether licences are dependent on specific technologies. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives from the commencement of related network services. The estimated useful lives are 5 – 40 years.

Computer software

Computer software comprises software purchased from third parties as well as the cost of internally developed software. Computer software licences are capitalised based on the costs incurred to acquire and bring into use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and are probable of producing future economic benefits, are recognised as intangible assets. Direct costs of software development include employee costs and directly attributable overheads.

Software integral to an item of hardware equipment is classified as property, plant and equipment.

Costs associated with maintaining software programs are recognised as an expense when they are incurred.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life from the date the software is available for use, being 3 – 5 years.

Intangible assets (continued)

Other intangible assets

Intangible assets, including customer bases, are recorded at fair value at the date of acquisition. Amortisation is charged to the statement of comprehensive income, over the estimated useful lives of intangible assets from the date they are available for use, on a straight-line basis. The amortisation basis adopted for each class of intangible asset reflects the Group's consumption of the economic benefit from that asset.

Customer-related intangible assets

Direct and incremental costs of acquiring or retaining a customer relationship including commissions payable to staff or agents for acquiring or retaining customers on behalf of the Group, are recognised as customer-related intangible assets in the statement of financial position when the related payment obligation is recorded. Costs are amortised over the contract life; typically this is over the customer contract period as new commissions are payable on contract renewal.

	License and spectrum fees €000	Computer software €000	Customer-related intangible assets €000	Other €000	Total €000
Cost					
At 1 April 2020	**1,346,131**	**1,257,749**	**510,979**	**732**	**3,115,591**
Additions	8,514	99,228	365,752	-	**473,494**
Disposals	-	(131,028)	-	-	**(131,028)**
Amounts written down	-	-	**(339,686)**	-	**(339,686)**
At 31 March 2021	**1,354,645**	**1,225,949**	**537,045**	**732**	**3,118,371**
Additions	366,575	117,531	344,923	-	**829,029**
Disposals	-	(540,677)	-	-	**(540,677)**
Other	(75,859)	-	-	-	**(75,859)**
Amounts written down	-	-	**(352,903)**	-	**(352,903)**
At 31 March 2022	**1,645,361**	**802,803**	**529,065**	**732**	**2,977,961**
Additions	8,001	102,308	307,504	-	**417,813**
Disposals	-	(46,374)	-	-	**(46,374)**
Amounts written down	-	-	(361,630)	-	**(361,630)**
At 31 March 2023	**1,653,362**	**858,737**	**474,939**	**732**	**2,987,770**
At 1 April 2020	**(794,615)**	**(1,044,297)**	**(268,620)**	**(256)**	**(2,107,788)**
Charge for the year	(47,627)	(79,779)	(344,488)	(146)	**(472,040)**
Disposals	-	129,836	-	-	**129,836**
Amounts written down	-	-	339,686	-	**339,686**
At 31 March 2021	**(842,242)**	**(994,240)**	**(273,422)**	**(402)**	**(2,110,306)**
Charge for the year	(28,949)	(80,013)	(357,082)	(144)	**(466,188)**
Disposals	-	540,504	-	-	**540,504**
Amounts written down	-	-	352,903	-	**352,903**
At 31 March 2022	**(871,191)**	**(533,749)**	**(277,601)**	**(546)**	**(1,683,087)**
Charge for the year	(52,127)	(97,382)	(339,464)	(146)	**(489,119)**
Disposals	-	46,293	-	-	**46,293**
Amounts written down	-	-	361,630	-	**361,630**
At 31 March 2023	**(923,318)**	**(584,838)**	**(255,435)**	**(692)**	**(1,764,283)**
Net book value					
At 1 April 2020	**551,516**	**213,452**	**242,359**	**476**	**1,007,803**
At 31 March 2021	**512,403**	**231,709**	**263,623**	**330**	**1,008,065**
At 31 March 2022	**774,170**	**269,054**	**251,464**	**186**	**1,294,874**
At 31 March 2023	**730,044**	**273,899**	**219,504**	**40**	**1,223,487**

Intangible assets (continued)

For licences and spectrum fees, computer software, customer-related intangibles and other intangible assets, amortisation is included within the depreciation, amortisation and impairment line within the statement of comprehensive income. Included in the net book value of computer software are assets in the course of construction, which are not amortised, with a cost of €68,311 thousand (2022: €73,046 thousand, 2021: €51,324 thousand).

The Group has recognised as an intangible asset an administrative concession from the Spanish Government amounting to €262,000 thousand, comparable to the financial contribution to the Public Treasury required for the granting of the corresponding authorisation to provide mobile communications services under GSM standards, which is amortised on a straight-line basis from 2003 to 2028, and €174,554 thousand for obtaining the licence to provide the DCS-1800 personal mobile communications service, which is amortised on a straight-line basis from 2003 and the concession period extends to 2030.

In 2000 the company was awarded the administrative concession to operate the third-generation mobile communications service (UMTS), the cost of which was €132,589 thousand, plus the corresponding taxes. The Group started amortising this licence from 2004 and the concession period runs until 2030. The Group has also been awarded concessions for the exclusive use of the public radio spectrum in the 800 MHz and 2.6 GHz bands.

In the 800 MHz band the concession came into use in 2015 and will run until 2031. The activated cost amounted to a total of €458,519 thousand.

In the 2.6 GHz band, the Group holds the 40 MHz usage reserve allocated for €69,480 thousand. It is currently being operated, began to be amortised in 2011 and its concession period runs until 2030.

During the year ended 31 March 2019, the company received the concession for the exclusive use of 90 MHz of the 3.7 GHz band, for the development and operation of the 5G network, the concession period being 20 years. The registration of these concessions amounted to €201,623 thousand. It is currently being operated and began to be amortised in the financial year ended 31 March 2020.

During the year ended 31 March 2022, the Group received the concession for the exclusive use of 700 MHz, for the expansion of 5G services, for a concession period of 20 years, automatically renewable for another 20 years. The registration of these concessions amounted to €350,000 thousand.

The transfer tax (ITP) paid on the licences mentioned in the preceding paragraphs amounts to €81,080 thousand. This amount includes €16,575 thousand paid for the tax levied on the 5G concession for the exclusive use of 700 MHz received in the financial year ended 31 March 2022.

In the year ended 31 March 2022, license and spectrum fees costs amounting to €75,859 thousand were derecognised, as a result of the application of Supreme Court Ruling 51/2022 and subsequent case law. Likewise, €20,743 thousand of amortisation charges of the period were deducted from the amortisation charge of the year.

9. Property, plant and equipment

The Group makes significant investments in network equipment and infrastructure – the base stations and technology required to operate the networks – that form most of the tangible assets. All assets are depreciated over their useful economic lives. For further details on the estimation of useful economic lives, see ‘Critical accounting judgements and key sources of estimation uncertainty’ in Note 1 ‘Basis of preparation ‘to the Historical Financial Information.

Accounting policies

Land and buildings held for use are stated in the statement of financial position at their cost, less any accumulated depreciation and any accumulated impairment losses.

Amounts for equipment, fixtures and fittings, which includes network infrastructure assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets in the course of construction are carried at cost, less any recognised impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation. Depreciation is charged to write off the cost of assets, other than land, using the straight-line method, over their estimated useful lives, as follows:

Land and buildings	
– Freehold buildings	5 - 25 years
– Leasehold premises	the term of the lease
Equipment, fixtures and fittings	
– Network infrastructure and other	1 - 35 years

Depreciation is not provided on freehold land.

Property, plant and equipment (continued)

Right-of-use assets arising from the Group's lease arrangements are depreciated over their reasonably certain lease term, as determined under the Group's leases policy (see Note 15 ‘Leases’ and ‘Critical accounting judgements and key sources of estimation uncertainty’ in Note 1 for details).

The gain or loss arising on the disposal, retirement or granting of a finance lease on an item of property, plant and equipment is determined as the difference between any proceeds from sale or receivables arising on a lease and the carrying amount of the asset and is recognised in the statement of comprehensive income.

	Land and buildings €000	Equipment, fixtures and fittings €000	Total €000
Cost			
At 1 April 2020	**322,003**	**10,525,560**	**10,847,563**
Additions	11,861	650,808	662,669
Disposals	(9,986)	(188,761)	(198,747)
At 31 March 2021	**323,878**	**10,987,607**	**11,311,485**
Additions	10,913	557,725	568,638
Disposals	(47,508)	(207,788)	(255,296)
At 31 March 2022	**287,283**	**11,337,544**	**11,624,827**
Additions	5,616	459,681	465,297
Disposals	(7,577)	(260,609)	(268,186)
At 31 March 2023	**285,322**	**11,536,616**	**11,821,938**
Accumulated depreciation and impairment			
At 1 April 2020	**(171,174)**	**(6,383,106)**	**(6,554,280)**
Charge for the year	(9,493)	(763,641)	(773,134)
Disposals	4,621	152,463	157,084
At 31 March 2021	**(176,046)**	**(6,994,284)**	**(7,170,330)**
Charge for the year	(17,850)	(764,526)	(782,376)
Disposals	43,346	188,552	231,898
At 31 March 2022	**(150,550)**	**(7,570,258)**	**(7,720,808)**
Charge for the year	(17,179)	(701,736)	(718,915)
Disposals	4,899	243,944	248,843
At 31 March 2023	**(162,830)**	**(8,028,050)**	**(8,190,880)**
Net book value			
At 1 April 2020	**150,829**	**4,142,454**	**4,293,283**
At 31 March 2021	**147,832**	**3,993,323**	**4,141,155**
At 31 March 2022	**136,733**	**3,767,286**	**3,904,019**
At 31 March 2023	**122,492**	**3,508,566**	**3,631,058**

Included in the net book value of equipment, fixtures and fittings are assets in the course of construction, which are not depreciated, with a cost of €211,045 thousand (2022: €211,142 thousand, 2021: €213,550 thousand). Also included in the book value of equipment, fixtures and fittings are assets leased out by the Group under operating leases, with a cost of €403,548 thousand (2022: €425,541 thousand, 2021: €433,115 thousand), accumulated depreciation of €278,091 thousand (2022: €261,398 thousand, 2021: €223,788 thousand) and net book value of €125,457 thousand (2022: €164,143 thousand, 2021: €209,326 thousand).

Loss on disposals of €12,267 thousand for the year ended 31 March 2023 (2022: €16,819 thousand, 2021: €27,069 thousand) are included within other expenses.

Right-of-use assets arising from the Group’s lease arrangements are recorded within property, plant and equipment:

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Property, plant and equipment (owned assets)	3,631,058	3,904,019	4,141,155
Right-of-use assets	1,009,553	1,106,444	1,182,697
Total	**4,640,611**	**5,010,463**	**5,323,852**

Additions of €334,279 thousand (2022: €436,515 thousand, 2021: €893,515 thousand), a depreciation charge of €424,600 thousand (2022: €459,251 thousand, 2021: €410,056 thousand) were recorded in respect of right-of-use assets.

10. Trade and other receivables

Trade and other receivables mainly consist of amounts owed to us by customers and amounts that we pay to the suppliers in advance. See Note 15 'Leases' for more information on the Group's leasing activities.

Accounting policies

Trade receivables represent amounts owed by customers where the right to receive payment is conditional only on the passage of time. Trade receivables that are recovered in instalments from customers over an extended period are discounted at market rates and interest revenue is accreted over the expected repayment period. Other trade receivables do not carry any interest and are stated at their nominal value. When the Group establishes a practice of selling portfolios of receivables from time to time these portfolios are recorded at fair value through other comprehensive income; all other trade receivables are recorded at amortised cost.

The carrying value of all trade receivables, contract assets and finance lease receivables recorded at amortised cost is reduced by allowances for lifetime estimated credit losses. Estimated future credit losses are first recorded on the initial recognition of a receivable and are based on the ageing of the receivable balances, historical experience and forward-looking considerations. Individual balances are written off when management deems them not to be collectible.

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Included within non-current assets			
Trade receivables held at fair value through other comprehensive income	49,086	62,631	58,364
Contract assets	47,862	47,672	35,867
Contract-related costs	2,598	2,024	2,243
Other receivables	39,263	12,043	11,317
Prepayments	6,643	7,779	9,156
Total	**145,452**	**132,149**	**116,947**
Included within current assets			
Trade receivables	197,420	188,595	207,508
Trade receivables held at fair value through other comprehensive income	64,425	72,852	74,146
Contract assets	209,749	205,852	195,959
Contract-related costs	6,028	8,579	9,924
Amounts owed by group undertakings	366,334	242,083	438,335
Other receivables	77,172	53,230	30,004
Prepayments	121,299	186,615	103,944
Total	**1,042,427**	**957,806**	**1,059,820**

The Group's trade receivables and contract assets are classified at amortised cost unless stated otherwise and are measured after allowances for future expected credit losses, see Note 17 'Capital and financial risk management' for more information on credit risk.

The carrying amounts of trade and other receivables, which are measured at amortised cost, approximate their fair value and are predominantly non-interest bearing.

The Group's contract-related costs comprise costs incurred to fulfil customer contracts; an amortisation and impairment expense of €11,208 thousand (2022: €14,621 thousand, 2021: €12,184 thousand) was recognised in operating losses (other expenses) during the year.

11. Trade and other payables

Trade and other payables mainly consist of amounts owed to suppliers that have been invoiced or are accrued and contract liabilities relating to consideration received from customers in advance. They also include taxes and social security amounts due in relation to the Group's role as an employer.

Accounting policies

Trade payables are not interest-bearing and are stated at their nominal value.

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Included within non-current liabilities			
Other payables	72	172	338
Accruals	3,010	3,726	4,694
Contract liabilities	44,424	47,749	52,187
Total	**47,506**	**51,647**	**57,219**
Included within current liabilities			
Trade payables	918,680	933,581	977,522
Amounts owed to associates and joint ventures	-	6	5
Other taxes and social security payable	185,988	201,990	211,798
Other payables	3,004	9,523	8,257
Accruals	231,677	336,998	296,088
Contract liabilities	55,814	45,858	50,287
Total	**1,395,163**	**1,527,956**	**1,543,957**

The carrying amounts of trade and other payables approximate their fair value.

Materially all of the contract liabilities outstanding as of 31 March 2023, 2022 and 2021 are recognised as revenue in the following year.

12. Reconciliation of net cash flow from operating activities

The table below shows how the loss for the year from continuing operations translates into cash flows generated from operating activities.

	Notes	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Loss for the financial year		**(198,102)**	**(248,526)**	**(121,523)**
Financing income	5	(15,685)	(13,053)	-
Financing costs	5	119,377	67,808	78,182
Income tax credit	6	(169)	(30,989)	(17,161)
Operating loss		**(94,579)**	**(224,760)**	**(60,502)**
Adjustments for:				
Share-based payments and other non-cash charges		4,572	4,004	7,196
Depreciation, amortisation and impairment losses	8, 9	1,632,634	1,707,815	1,655,230
Loss on disposal of property, plant and equipment and intangible assets		12,267	16,819	27,069
Decrease/ (increase) in inventory		29,228	(11,666)	10,146
(Increase)/decrease in trade and other receivables	10	(48,833)	(21,935)	17,559
Decrease in trade and other payables	11	(84,813)	(15,778)	(26,364)
Interest received		27,901	5	-
Interest paid		(118,705)	(68,001)	(80,016)
Cash generated by operations		**1,359,672**	**1,386,503**	**1,550,318**
Net tax paid		(388)	27	(262)
Net cash flow from operating activities		**1,359,284**	**1,386,530**	**1,550,056**

13. Provisions

A provision is a liability recorded in the statement of financial position, where there is uncertainty over the timing or amount that will be paid and is therefore often estimated. The main provisions we hold are in relation to asset retirement obligations, which include the cost of returning network infrastructure sites to their original condition at the end of the lease and claims for legal and regulatory matters.

Accounting policies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. Where the timing of settlement is uncertain undiscounted amounts are classified as non-current as settlement is expected more than 12 months from the reporting date.

Asset retirement obligations

In the course of the Group's activities, a number of sites and other assets are utilised which are expected to have costs associated with decommissioning. The associated cash outflows are substantially expected to occur at the dates of decommissioning of the assets to which they relate and are long term in nature.

Legal and regulatory

The Group is involved in a number of legal and other disputes, including where the Group has received notifications of possible claims. The Directors of the Group, after taking legal advice, have established provisions considering the facts of each case.

Restructuring

The Group undertakes periodic reviews of its operations and recognises provisions as required based on the outcomes of these reviews. The associated cash outflows for restructuring costs are primarily less than one year.

Other

The other provision is related to a litigation with former directors of Vodafone ONO S.A.U. The timing and expected cash outflow of this provision is uncertain and depends upon the outcome of the litigation.

	Asset retirement obligations €000	Legal and regulatory €000	Restructuring €000	Other €000	Total €000
At 1 April 2020	**59,321**	**74,348**	**46,877**	**40,510**	**221,056**
Amounts charged to statement of losses	-	43,086	12,725	-	55,811
Amounts capitalised in the year	11,538	-	-	-	11,538
Utilised in the year – payments	(2,785)	(6,597)	(8,445)	(12,135)	(29,962)
Amounts released to the statement of losses	679	(17,806)	(1,919)	-	(19,046)
Other movements	(5,146)	859	-	4,542	255
At 31 March 2021	**63,607**	**93,890**	**49,238**	**32,917**	**239,652**
Amounts charged to the statement of losses	-	26,121	72,950	-	99,071
Amounts capitalised in the year	10,051	-	-	-	10,051
Utilised in the year – payments	(2,774)	(33,939)	(65,716)	-	(102,429)
Amounts released to the statement of losses	185	(31,672)	(889)	(832)	(33,208)
Other movements	(6,339)	-	-	829	(5,510)
At 31 March 2022	**64,730**	**54,400**	**55,583**	**32,914**	**207,627**
Amounts charged to the statement of losses	-	24,784	25,407	-	50,191
Amounts capitalised in the year	2,135	-	-	-	2,135
Utilised in the year – payments	(4,898)	(16,223)	(23,818)	-	(44,939)
Amounts released to the statement losses	932	(18,416)	(19,131)	(52)	(36,667)
Other movements	(1,827)	2,271	(285)	443	602
At 31 March 2023	**61,072**	**46,816**	**37,756**	**33,305**	**178,949**

Provisions (continued)

Provisions have been analysed between current and non-current as follows:

At 31 March 2023	Asset retirement obligations €000	Legal and regulatory €000	Restructuring €000	Other €000	Total €000
Current	6,860	1,309	20,527	620	29,316
Non-current	54,212	45,507	17,229	32,685	149,633
Total	**61,072**	**46,816**	**37,756**	**33,305**	**178,949**

At 31 March 2022	Asset retirement obligations €000	Legal and regulatory €000	Restructuring €000	Other €000	Total €000
Current	4,728	2,986	27,108	619	35,441
Non-current	60,002	51,414	28,475	32,295	172,186
Total	**64,730**	**54,400**	**55,583**	**32,914**	**207,627**

At 31 March 2021	Asset retirement obligations €000	Legal and regulatory €000	Restructuring €000	Other €000	Total €000
Current	3,633	3,279	19,889	1,454	28,255
Non-current	59,974	90,611	29,349	31,463	211,397
Total	**63,607**	**93,890**	**49,238**	**32,917**	**239,652**

14. Cash and cash equivalents

The Group's cash is held in current bank accounts with no restrictions on use.

Accounting policies

Cash and cash equivalents comprise cash in hand and call deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. All cash and cash equivalents are measured at amortised cost.

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Cash and cash equivalents as presented in the statement of financial position and the statement of cash flows	**4,479**	**4,642**	**6,619**

The carrying amount of balances at amortised cost approximates their fair value.

15. Leases

The Group leases assets from other parties (the Group is a lessee) and also leases assets to other parties (the Group is a lessor). This note describes how the Group accounts for leases and provides details about its lease arrangements.

Accounting policies

As a lessee

When the Group leases an asset, a 'right-of-use asset' is recognised for the leased item and a lease liability is recognised for any lease payments to be paid over the lease term at the lease commencement date. The right-of-use asset is initially measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease and less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension options (see below).

The useful life of the asset is determined in a manner consistent to that for owned property, plant and equipment (as described in Note 9 'Property, plant and equipment'). If right-of-use assets are impaired, the carrying value is reduced accordingly.
Lease liabilities are initially measured at the value of the lease payments over the lease term that are not paid at the commencement date and are usually discounted using the incremental borrowing rates of the applicable Group entity (the rate implicit in the lease is used if it is readily determinable). Lease payments included in the lease liability include both fixed payments and in-substance fixed payments during the term of the lease.

Leases (continued)

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate (e.g. an inflation related increase) or if the Group's assessment of the lease term changes; any changes in the lease liability as a result of these changes also results in a corresponding change in the recorded right-of-use asset.

As a lessor

Where the Group is a lessor, it determines at inception whether the lease is a finance or an operating lease. When a lease transfers substantially all the risks and rewards of ownership of the underlying asset then the lease is a finance lease; otherwise, the lease is an operating lease.

Where the Group is an intermediate lessor, the interests in the head lease and the sub-lease are accounted for separately and the lease classification of a sub-lease is determined by reference to the right-of-use asset arising from the head lease.

Income from operating leases is recognised on a straight-line basis over the lease term. Income from finance leases is recognised at lease commencement with interest income recognised over the lease term.

Lease income is recognised as revenue for transactions that are part of the Group's ordinary activities (primarily leases of handsets or other equipment to customers, leases of wholesale access to the Group's fibre and cable networks and leases of tower infrastructure assets). The Group uses IFRS 15 principles to allocate the consideration in contracts between any lease and non-lease components.

The Group's leasing activities as a lessee

The Group leases buildings for its offices and data centres, space on mobile base stations to place active RAN equipment and network space (primarily rack space or duct space). In addition, the Group leases fibre and other fixed connectivity to provide internal connectivity for the Group's operations and on a wholesale basis from other operators to provide fixed connectivity services to the Group's customers.

The Group's general approach to determining lease term by class of asset is described in Note 1 under critical accounting judgements and key sources of estimation uncertainty.

Most of the Group's leases include future price increases through fixed percentage increases, indexation to inflation measures on a periodic basis or rent review clauses. Other than fixed percentage increases the lease liability does not reflect the impact of these future increases unless the measurement date has passed.

The Group has not separated the embedded non lease components when accounting for tower leases when it is not the anchor tenant, hence all payments due under such lease agreements are reflected as lease obligations and right-of-use assets in the balance sheet. In those cases, in which the Group is the anchor tenant, the non lease component are expected to be paid mainly by the Group and, as a consequence, they have been identified and excluded from the right of use assets and lease obligations. The non-lease component amounts are recognised as expenses when incurred.

The right of use of the sites where the Group is the anchor tenant amounts €371,518 thousand (2022: €436,130 thousand, 2021: €500,742 thousand).

The Group has tripartite contracts with multiple tower companies. In those cases, the cash payments made by each contract participants can be variable, but the total compensation remains the same and as such, independently of the payments the whole compensation for the use of the leases has been recognised as a right of use.

When the unavoidable costs of complying with the obligations involved exceed the economic benefits expected to be received, and the pertinent actions have been taken to avoid this result, the right of use is then impaired.

Optional lease periods

Where practicable the Group seeks to include extension or break options in leases to provide operational flexibility, therefore many of the Group's lease contracts contain optional periods. The Group's policy on assessing and reassessing whether it is reasonably certain that the optional period will be included in the lease term is described in Note 1 'Basis of preparation' under 'critical accounting judgements and key sources of estimation uncertainty'.

After initial recognition of a lease, the Group only reassesses the lease term when there is a significant event or a significant change in circumstances, which was not anticipated at the time of the previous assessment. Significant events or significant changes in circumstances could include merger and acquisition or similar activity, significant expenditure on the leased asset not anticipated in the previous assessment, or detailed management plans indicating a different conclusion on optional periods to the previous assessment. Where a significant event or significant change in circumstances does not occur, the lease term and therefore lease liability and right-of- use asset value, will decline over time.

The Group's cash outflow for leases (including lease interest) in the year ended 31 March 2023 was €514,602 thousand (2022: €548,602 thousand, 2021: €467,771 thousand) and, absent significant future changes in the volume of the Group's activities or strategic changes to use more or fewer owned assets this level of cash outflow from leases would be expected to continue for future periods, subject to contractual price increases.

The future cash outflows included within lease liabilities are shown in the maturity analysis below. The maturity analysis only includes the reasonably certain payments to be made; cash outflows in these future periods will likely exceed these amounts as payments will be made on optional periods not considered reasonably certain at present and on new leases entered in future periods.

Leases (continued)

The Group's leases for customer connectivity are normally either under regulated access or network sharing or similar preferential access arrangements and as a result the Group normally has significant flexibility over the term it can lease such connections for; generally, the notice period required to cancel the lease is less than the notice period included in the service contract with the end customer. As a result, the Group does not have any significant cash exposure to optional periods on customer connectivity as the Group can cancel the lease when the service agreement ends. In some circumstances the Group is committed to minimum spend amounts for connectivity leases, which are included within reported lease liabilities.

Amounts recognised in the primary Historical Financial Information in relation to lessee transactions

Right-of-use assets

The carrying value of the Group's right-of-use assets, depreciation charge for the year and additions during the year are disclosed in Note 9 'Property, plant and equipment'.

Lease liabilities

The Group's lease liabilities are disclosed in Note 16 'Borrowings'. The maturity profile of the Group's lease liabilities is as follows:

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Within one year	375,544	388,100	438,630
In more than one year but less than two years	229,477	227,062	227,257
In more than two years but less than three years	213,180	212,269	207,879
In more than three years but less than four years	195,419	190,303	194,572
In more than four years but less than five years	168,668	172,702	178,741
In more than five years	231,308	354,092	454,506
	1,413,596	**1,544,528**	**1,701,585**
Effect of discounting	(135,215)	(110,245)	(133,717)
Lease liabilities	**1,278,381**	**1,434,283**	**1,567,868**

Interest expense on lease liabilities for the year is disclosed in Note 5 'Net financing costs'.

The Group has no material liabilities under residual value guarantees and makes no material variable payments not included in the lease liability. The Group does not apply either the short term or low value expedient options in IFRS 16.

The Group's leasing activities as a lessor

The Group has a wide range of lessor activities with consumer and enterprise customers, other telecommunication companies and other companies. With consumer and enterprise customers, the Group generates lease income from the provision of handsets, routers and other communications equipment. The Group provides wholesale access to the Group's fibre and cable networks and leases out space on the Group's owned mobile base stations to other telecommunication companies.

Lessor transactions are classified as operating or finance leases based on whether the lease transfers substantially all of the risks and rewards incidental to ownership of the asset. Leases are individually assessed, but generally, the Group's lessor transactions are classified as:

- Operating leases where the Group provides routers or similar equipment to fixed customers; and
- Operating leases where the Group is lessor of space on owned mobile base stations, provides wholesale access to its fibre and cable networks or provides space in their offices.

The Group's income as a lessor in the year is as follows:

	2023 €000	2022 €000	2021 €000
Operating leases			
Lease revenue	44,859	56,188	47,419
Income from leases not recognised as revenue	1,735	1,651	12,342

The Group's net investments in leases are disclosed in Note 10 'Trade and other receivables'.

Leases (continued)

The committed amounts to be received from the Group's operating leases are as follows:

	Maturity						
	Within one year €000	In one to two years €000	In two to three years €000	In three to four years €000	In four to five years €000	In more than five years €000	**Total €000**
31 March 2023							
Committed operating lease payments due to the Group as a lessor	**1,559**	**1,053**	**878**	**798**	**577**	**20**	**4,885**
31 March 2022							
Committed operating lease payments due to the Group as a lessor	**1,564**	**1,189**	**907**	**833**	**782**	**590**	**5,865**
31 March 2021							
Committed operating lease payments due to the Group as a lessor	**1,479**	**1,260**	**1,103**	**856**	**819**	**1,368**	**6,885**

The Group has no material lease income arising from variable lease payments.

16. Borrowings

The Group's sources of borrowing for funding and liquidity purposes come primary from Vodafone Group. Liabilities arising from the Group's lease arrangements are also reported in borrowings; see Note 15 'Leases'.

Accounting policies

Interest-bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised cost, using the effective interest rate method. Where they are identified as a hedged item in a designated fair value hedge relationship, fair value adjustments are recognised in accordance with the policy (see Note 17 'Capital and financial risk management'). Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing.

Borrowings (continued)

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Non-current borrowings	(4,265,488)	(4,249,378)	(3,984,482)
Lease liabilities (Note 15)	(934,390)	(1,059,530)	(1,143,318)
Other borrowings[1]	(3,331,098)	(3,189,848)	(2,841,164)
Current borrowings	(366,985)	(390,546)	(442,487)
Lease liabilities (Note 15)	(343,991)	(374,753)	(424,550)
Other borrowings[1]	(22,994)	(15,793)	(17,937)
Total Borrowings	**(4,632,473)**	**(4,639,924)**	**(4,426,969)**

Note:
1. Includes €146,449 thousand (2022: €155,198 thousand, 2021: €163,748 thousand) of licence and spectrum fees payable in non-current and €11,328 thousand (2022: €10,782 thousand, 2021: €10,704 thousand) within current borrowings.

On 24 September 2015, the Group signed a loan agreement with Vodafone Luxembourg S.à.r.l. for a loan with a €3,000,000 thousand limit, which matured on September 24, 2021, and was extended on 24 March 2021 to September 24, 2022, and was cancelled in advance on 31 March 2022. The balance drawn down on this loan as of 31 March 2021, was €2,679,764 thousand (2020: €2,990,180 thousand), booked under the item non-current Borrowings. The financial charges outstanding as of 31 March 2022 and 31 March 2021 are booked under Current Borrowings. The average interest accrued was 0.42% in the year ended 31 March 2022 (2021: 0.46%, 2020: 0.55%).

On 27 July 2021, the Group signed a €300,000 thousand loan with Vodafone Luxembourg S.à.r.l. for the acquisition of Vodafone España, S.A.U. of the concession for the exclusive use of 700 MHz for the expansion of 5G services. It was due to expire on 23 September 2022 and was cancelled early on 31 March 2022. The financial charges outstanding as of 31 March 2022 are booked under Current Borrowings. The average interest accrued was 0.13% in the year ended 31 March 2022.

On 31 March 2022, the Group formalised a new loan with Vodafone Luxembourg S.à.r.l. with a limit of €3,300,000 thousand, maturing on 31 March 2027. The balance drawn down on this loan as of 31 March 2023, was €3,184,649 thousand (2022: €3,034,649 thousand), booked under the item Non-current Borrowings. The financial charges outstanding as of 31 March 2023 and 2022, are booked under Current Borrowings. The average interest accrued was 2.45% in the year ended 31 March 2023 (2022: 1.26%).

On 24 June 2020, the Vodafone Group Plc through its subsidiary Vodafone Europe, B.V., decided to make a contribution of €3,500,000 thousand to the Group's equity in order to re-establish the balance between capital and equity, which had been reduced by losses. On the same date, Vodafone Holdings Europe, S.L.U. repaid the total amount drawn down on the loan received from Vodafone Investments Luxembourg, S.à.r.l. dated 24 September 2015 and maturing on 24 September 2020, amounting to €2,974,611 thousand (the average interest accrued was 0.39% in the year ended 31 March 2021 (2020: 0.35%) as well as loans with Vodafone Luxembourg S.à.r.l. dated 24 September 2015 for the entire amount drawn down, €227,746 thousand for the loan maturing on 24 September 2020 (the average interest accrued was 0.32% in the year ended 31 March 2021 (2020: 0.42%), and partial early repayment of the amount drawn down of €297,644 thousand for the loan maturing on 24 September 2022.

On 31 March 2023, the Group signed a new loan with Vodafone Luxembourg S.à.r.l. with a limit of €300,000 thousand, maturing on 31 March 2028, which accrues a Euribor-indexed floating interest rate plus 1.49%. There is no balance drawn down on this loan as of 31 March 2023.

17. Capital and financial risk management

This note details the treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to credit, liquidity, interest and foreign exchange risk, and the policies in place to monitor and manage these risks.

Accounting policies

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Capital and financial risk management (continued)

Sale of trade receivables

During the year, the Group sold certain trade receivables to another Vodafone Group entity. Whilst there are no repurchase obligations in respect of these receivables, the Group provided credit guarantees which would only become payable if default rates were significantly higher than historical rates. The credit guarantee is not considered substantive and substantially all risks and rewards associated with the receivables passed to the purchaser at the date of sale, therefore the receivables were derecognised. Trade receivables sold as of 31 March 2023 was €153,468 thousand (2022: €142,873 thousand, 2021: €109,072 thousand).

Financial risk management

The Group's activities expose it to various financial risks: market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk. The Group's Financial risk management policies seek to reduce the Group’s exposure to any future disruption to financial markets, including any future impacts from COVID or other macro economic events.

The Group has policies in place to control the exposure to market, credit and liquidity risks.

Market risk

Exchange rate risk

Exchange rate risk arising from financial assets or liabilities of a monetary nature and denominated in a currency other than the Group's functional currency.

As of 31 March 2023, 2022 and 2021, there are no significant financial liabilities denominated in a currency other than the euro and no derivative financial instruments contracted by the Group.

Cashflow interest rate risk

The Group's interest rate risk arises from the borrowed funds. Borrowings issued at floating rates expose the Group to cashflow interest rate risks.

As of 31 March 2023, the Group's exposure to cash flow interest rate risk is mainly due to the debt with Vodafone Luxembourg, S.à.r.l., a Vodafone Group undertaking, amounting to €3,196,405 thousand (31 March 2022: €3,039,659 thousand, 31 March 2021: €2,684,649 thousand with Vodafone Investments Luxembourg S.à.r.l) which accrues a Euribor-indexed floating interest rate plus a margin. Management of cash flow interest rate risk is centralised in the Vodafone Group. It also includes third-party debt for the concession for the private use of radio spectrum granted in the year ended 31 March 2019, in the amount of €146,499 thousand as of 31 March 2023 (31 March 2022: €155,198 thousand, 31 March 2021: €163,748 thousand) which accrues a fixed interest rate.

Credit risk

The Group's main financial assets are balances of cash and cash equivalents, trade and other accounts receivable, which represent the Group's greatest exposure to credit risk in relation to financial assets.

The Group's credit risk is mainly attributable to its trade accounts payable. Most of its customers are retail businesses, although it also has corporations and other operators as customers.

The credit risk arises because the Group might not recover the carrying amount of the financial assets or recover them on time. Group Management believes that the carrying amount of the accounts receivable and other receivables is approximately the same as their fair value.

The amounts shown on the balance sheet are net of allowances for uncollectible amounts. It is the Group's policy to regularly and systematically assess the risk of insolvency of its customers' receivables in order to record the appropriate provisions in the statement of comprehensive income and assess the appropriateness of correcting the level of credit allowed to customers (in this regard, the Group has in place restrictive credit scoring procedures prior to the opening of new accounts).

With respect to the credit risk arising from cash and cash equivalents, the Group only works with reputable financial institutions that have a high credit rating.

Expected credit loss

The Group has financial assets classified and measured at amortised cost and fair value through other comprehensive income that are subject to the expected credit loss model requirements of IFRS 9.

Cash at bank and in hand are both classified and measured at amortised cost and subject to impairment requirements. However, the identified expected credit loss is considered to be immaterial.

Capital and financial risk management (continued)

Information about expected credit losses for trade receivables (amortised cost and fair value) and contract assets is detailed below:

	Total €000
At 1 April 2020	**184,578**
Amounts charged to credit losses on financial assets	125,855
Write-offs and other movements	(90,716)
At 31 March 2021	**219,717**
Amounts charged to credit losses on financial assets	115,484
Write-offs and other movements	(94,681)
At 31 March 2022	**240,520**
Amounts charged to credit losses on financial assets[1]	34,862
Write-offs and other movements	(62,336)
At 31 March 2023	**213,046**

Note:
1. The Group started a process to increase the recoverability of bad debt accounts, this led to the recognition of a lower bad debt provision amounting €62.9 thousand in that fiscal year.

Expected credit losses are presented within operating losses and subsequent recoveries of amounts previously written off are credited against the same line item.

Liquidity risk

For the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, the Group has the cash and cash equivalents disclosed in its balance sheet, together with the credit and financing facilities granted by the Vodafone Group.

The Group maintains cash and cash equivalents which at 31 March 2023 amounted to cash €4.5 million (2022: €4.6 million, 2021: €6.6 million) and undrawn committed facilities with different financial institutions of €35.5 million (2022: €35.5 million, 2021: €35.5 million). The Group manages liquidity risk on non-current borrowings by maintaining a varied maturity profile with a cap on the level of debt maturity in any one calendar year, therefore minimising refinancing risk. Non-current borrowings mature between one and more than five years.

The maturity profile of the anticipated future cash flows in relation to the Group's financial liabilities ('other borrowings') on an undiscounted basis which, therefore, differs from both the carrying value and fair value, is as follows:

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Within one year	22,994	15,793	17,937
In more than one year but less than two years	12,397	12,397	2,692,161
In more than two years but less than three years	12,397	12,397	12,397
In more than three years but less than four years	3,197,047	12,397	12,397
In more than four years but less than five years	12,397	3,047,043	12,397
In more than five years	123,969	136,370	148,767
	3,381,201	**3,236,397**	**2,896,056**
Effect of discounting	(27,109)	(30,756)	(36,955)
Other borrowings (Note 16)	**3,354,092**	**3,205,641**	**2,859,101**

Capital and financial risk management (continued)

Changes in assets and liabilities arising from financing activities

	Lease liabilities €000	Other liabilities €000	Assets and liabilities arising from financing activities €000
At 1 April 2020	**864,913**	**6,409,966**	**7,274,879**
Cash movements			
Lease payments	(442,132)	-	(442,132)
Net movements in loans due to related parties	-	(3,536,932)	(3,536,932)
Repayment of other borrowings	-	(8,161)	(8,161)
Interest paid	(25,639)	(48,018)	(73,657)
Non-cash movements			
Interest costs	28,807	43,016	71,823
Net lease additions	1,117,377	-	1,117,377
Transfer to held for sale	24,542	(770)	23,772
At 31 March 2021	**1,567,868**	**2,859,101**	**4,426,969**
Cash movements			
Lease payments	(515,629)	-	(515,629)
Net movements in loans due to related parties	-	355,007	355,007
Repayment of other borrowings	-	(8,353)	(8,353)
Interest paid	(32,973)	(32,688)	(65,661)
Non-cash movements			
Interest costs	32,899	32,574	65,473
Net lease additions	382,118	-	382,118
At 31 March 2022	**1,434,283**	**3,205,641**	**4,639,924**
Cash movements			
Lease payments	(483,220)	-	(483,220)
Net movements in loans due to related parties	-	156,659	156,659
Repayment of other borrowings	-	(8,549)	(8,549)
Interest paid	(31,382)	(82,701)	(114,083)
Non-cash movements			
Interest costs	31,801	83,042	114,843
Net lease additions	326,899	-	326,899
At 31 March 2023	**1,278,381**	**3,354,092**	**4,632,473**

Fair value and carrying value information

These financial assets are measured at fair value and the basis is a level 2 classification which comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset, either directly or indirectly.

The carrying value and valuation basis of the Group's financial assets are set out in Note 10 'Trade and other receivables' and 14 'Cash and cash equivalents'. For all financial assets held at amortised cost the carrying values approximate fair value.

The carrying value and valuation basis of the Group's financial liabilities are set out in Note 11 'Trade and other payables' and 16 'Borrowings'. The carrying values approximate fair value for the Group's trade payables and other payables categories.

Bank guarantees

Bank guarantees for €122,551 thousand as of 31 March 2023 (2022: €126,148 thousand, 2021: €154,376 thousand) have been provided to secure compliance with certain financial, operational and technical commitments entered into with the Ministry of Industry, Trade and Tourism, local councils and other public entities.

Consolidated guarantees amount as of 31 March 2023 comprise: Vodafone España S.A.U. for €90,062 thousand (2022: €76,257 thousand, 2021: €73,223 thousand), Vodafone ONO S.A.U. for €32,259 thousand (2022: €49,891 thousand, 2021: €81,153 thousand) and Vodafone Energía S.L.U for €230 thousand (2022: nil, 2021: nil).

18. Directors' compensation

The key management personnel of the Group are considered to be the Vodafone Holding Europe S.L.U. directors.

The aggregate emoluments of the directors of Vodafone Holding Europe S.L.U. were as follows:

	2023 €000	2022 €000	2021 €000
Salaries and fees	2,036	2,884	1,966
Incentive schemes	1,412	894	677
Total	**3,448**	**3,778**	**2,643**

19. Corporate costs

This note shows the average number of people employed by the Group during the year and in which areas of the business employees work. It also shows total employment costs.

	2023 Employees	2022 Employees	2021 Employees
By activity			
Executives	85	83	82
Middle management	546	569	561
Other line and departmental support personnel	3,378	3,560	3,600
Total	**4,009**	**4,212**	**4,243**

The cost incurred in respect of these employees (including Directors) was:

	2023 €000	2022 €000	2021 €000
Wages and salaries	207,063	215,200	216,359
Social security costs	58,601	57,695	56,382
Other pension costs	6,681	6,751	6,248
Share-based payments	4,700	3,524	6,882
Restructuring costs	(19,077)	64,024	(3,552)
Total	**257,968**	**347,194**	**282,319**

20. Share-based payments

Vodafone Group Plc has a number of share plans used to award shares to Executive Directors and employees as part of their remuneration package. A charge is recognised over the vesting period in the consolidated statement of comprehensive income to record the cost of these, based on the fair value of the award on the grant date.

Accounting policies

Vodafone Plc issues equity-settled share-based awards to certain employees. Equity-settled share-based awards are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based award is expensed on a straight-line basis over the vesting period, based on Vodafone Group Plc's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. A corresponding increase in additional paid-in capital is also recognised. Payments made to Vodafone Group Plc. are debited to equity.

Some share awards have an attached market condition, based on total shareholder return ('TSR'), which is considered when calculating the fair value of the share awards. The valuation for the TSR is based on Vodafone's ranking within the same group of companies, where possible, over the past five years.

The fair value of awards of non-vested shares is a calculation of the closing price of Vodafone Group Plc's shares. shares on the day prior to the grant date, adjusted for the present value of the delay in receiving dividends where appropriate.

The maximum aggregate number of ordinary shares which may be issued in respect of share options or share plans will not (without shareholder approval) exceed:

- 10% of the ordinary share capital of Vodafone Group Plc in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten-year period under all plans; and
- 5% of the ordinary share capital of Vodafone Group Plc in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten-year period under all plans, other than any plans which are operated on an all-employee basis.

21. Disposals

Assets and liabilities classified as held for distribution to owners on 1 April 2020 were disposed on 25 September 2020, through the disposal of Vantage Towers S.L.U.

The carrying amounts of assets and liabilities disposed by the Group as at the date of distribution were:

	September 2020 €000
Assets classified as held for distribution to owners	
Property, plant and equipment	348,138
Other accounts receivables	36,493
Trade receivables (current)	20,902
Trade receivables (non-current)	4,291
Cash and cash equivalents	70
Total assets of disposal group held for distribution to owners	**409,894**
Liabilities classifies as held for distribution to owners	
Long term borrowings (non-current)	175,484
Short term borrowings (current)	63,453
Trade payables (current)	27,113
Provisions (current)	1,098
Provisions (non-current)	32,574
Total liabilities of disposal group held for distribution to owners	**299,722**
Net assets held for distribution to owners	**110,172**

The property, plant and equipment assets disposed in the carve-out of Vantage Towers included mobile base station towers which were agreed to be leased back for eight years. The lease agreement includes an option to extend the original lease period for a further eight years, which can be renewed for three further renewal terms of the same period. These mobile base stations had a net book value of €64 million the date of disposal and had associated a right-of use asset related to site leases of €258 million and an asset of retirement obligation of €26 million.

The following disposed assets have been retained through a leaseback transaction:

	September 2020 €000
Station towers	64,134
Site leases	257,804
Asset for the retirement obligation	26,200
Total sold assets at carrying value	**348,138**
Station towers	360,882
Site leases	246,330
Asset for the retirement obligation	26,200
Total sold assets at fair value	**633,412**
Pre-restriction gain arising on disposal	**285,274**
Gain to be restricted (84.2%)	**240,072**

The fair value of the assets agreed to be leaseback is €633,412 thousand. The fair value of station towers was estimated by an independent specialist using the cost method of valuation at the date of the transaction. The fair value of site leases was measured considering the present value of the future lease payments under the agreement. Therefore, a total gain on disposal of €285,274 thousand was calculated as a result of the disposal; €240,072 thousand of this gain, reflecting the gain on the proportion of sold towers that has been retained through the leaseback, has been recorded as a reduction in the value of the right-of-use asset recognised for the leaseback of tower space and will be realised as a reduction in depreciation over the lease term (see Note 1.1.2 Lease accounting). This amount was reduced from the gain recorded in Accumulated profit.

The assets and liabilities measured at fair value were disposed as dividends of an amount of €974,000 thousand to be distributed to owners, this amount was equivalent to the value in use of Vantage Towers as of September 2020. The dividend was paid to the shareholders in kind with shares in Vantage Towers.

Disposals (continued)

	September 2020 €000
Net assets held for distribution	(110,172)
Dividend paid in kind	974,000
Net assets distributed to owners	**863,828**

This transaction is between entities under common control and it's outside the scope of the IFRIC 17 'Distributions of Non-cash Assets to Owners'. The Group has to make an accounting policy choice. Given the transaction happened between entities under common control, the Group applied the accounting policy to recognise the gain of €863,828 thousand for the appraisal of the net assets of Vantage in Accumulated profit.

22. Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to agreements to buy assets such as mobile devices, network infrastructure and IT systems and leases that have not commenced. These amounts are not recorded in the consolidated statement of financial position since we have not yet received the goods or services from the supplier. The amounts below are the minimum amounts that we are committed to pay.

Capital commitments

	2023 €000	2022 €000	2021 €000
Contracts placed for future capital expenditure not provided in the Historical Financial Information[1]	137,184	147,817	195,743

Note:
[1] Commitment includes contracts placed for property, plant and equipment and intangible assets.

23. Related party transactions and balances

Transactions and balances with related parties primarily comprise fees for the use of products and services, roaming and brand.

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Transactions with related parties			
Sales of goods and services	216,845	227,357	172,778
Purchase of goods and services	(828,091)	(941,378)	(935,996)
Operating expense (non-lease component)	(43,914)	(43,914)	(21,957)
Financing income	1,018	156	141
Financing costs	(80,329)	(29,354)	(40,202)
Right-of-use assets additions [1]	-	-	533,047
Purchases of tangible and intangible assets	(25,344)	(21,267)	(20,829)
Balances with related parties			
Trade balances owed:			
by related parties	40,402	37,462	44,110
to related parties	(194,209)	(137,090)	(175,514)
Lease	(528,078)	(612,467)	(694,786)
Other balances owed:			
by related parties	366,334	242,083	438,335
to related parties	(3,196,405)	(3,039,656)	(2,684,649)

Note:

1 The Right-of-use assets additions does not include any gain on disposal of leased assets impact.

Sale of trade receivables

During the year, the Group sold certain trade receivables to another Vodafone Group entity. Whilst there are no repurchase obligations in respect of these receivables, the Group provided credit guarantees which would only become payable if default rates were significantly higher than historical rates. The credit guarantee is not considered substantive and substantially all risks and rewards associated with the receivables passed to the purchaser at the date of sale, therefore the receivables were derecognised. Receivables sold as of 31 March 2023 was €153,468 thousand (2022: €142,873 thousand, 2021: €109,072 thousand).

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES
Notes to the Historical Financial Information (continued)

Related party transactions and balances (continued)

Transactions with Directors other than compensation

During the three years ended 31 March 2023 and as of the date of issuance of the Historical Financial Information, no Director nor any other executive officer, nor any associate of any Director or any other executive officer, was indebted to the Group. During the three years ended 31 March 2023 and as of the date of issuance of the Historical Financial Information, the Group has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel (including Directors, any other executive officer, senior manager, any spouse or relative of any of the foregoing or any relative of such spouse) had or was to have a direct or indirect material interest.

24. Related undertakings

A full list of subsidiaries is detailed below. No subsidiaries are excluded from the Group consolidation. Unless otherwise stated the Group's subsidiaries all have share capital consisting solely of ordinary shares. The percentage held by Group companies reflect both the proportion of nominal capital and voting rights.

Subsidiary accounting policies

A subsidiary is an entity directly or indirectly controlled by the Group. Control is achieved where the company has existing rights that give it the current ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the Historical Financial Information of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The financial statements of the parent and its subsidiaries used in the preparation of the Historical Financial Information have the same reporting date.

In September 2022, a restructuring process was carried out within the Group where two subsidiaries, Vodafone España and Vodafone Enabler España, merged with Vodafone España as the surviving legal entity in the merger.

Company	Line of Business	Address[1]	Direct interest % 31 March			Indirect interest % 31 March		
			2023	2022	2021	2023	2022	2021
Vodafone España, S.A.U.	Telecommunications	Madrid	100	100	100	-	-	-
Vodafone Enabler España, S.L.	Telecommunications	Madrid	-	90	90	-	10	10
Vodafone ONO, S.A.U.	Telecommunications	Madrid	100	100	100	-	-	-
Vodafone Servicios, S.L.U.	Provision of services to group undertakings	Madrid	100	100	100	-	-	-
Vodafone Energía, S.L.U.[2]	Electric power business	Madrid	100	100	-	-	-	-

Notes:
1 The registered address of these companies is Avenida de América, 115, Madrid, Spain.
2 Vodafone Energía, S.L.U.was incorporated on 8 June 2021.

25. Subsequent events

On 30 June 2023, Vodafone Spain communicated to its employees a plan, to be executed during the second quarter of financial year ending 31 March 2024, to optimise the use of spaces in the headquarters premises. This event resulted in an impairment charge of €18,855 thousand relating to the reassessment of the useful lives of certain leased assets and €3,872 thousand relating to the reassessment of the useful lives of certain owned assets that has been recognised in the condensed consolidated interim historical financial information for the period that ended 30 June 2023.

Subsequent to the balance sheet date it was announced, during the month of September 2023, that the Chair, Mr. Antonio Manuel da Costa Coimbra will leave the Group. Mário Jorge Soares Vaz has been appointed as the new Chair.

The Group is engaged with ongoing legal disputes in regard to taxation levied upon mobile telephony operators. On 18 October 2023 and 31 October 2023, favourable resolutions to Vodafone Spain were issued by the courts in relation to Vodafone's claims for the 2012 and 2014 calendar years (respectively), resulting in the right to reimbursement (including associated interest) totalling €81 million. Legal disputes in relation to other years remain ongoing. No amounts have been recognised for reimbursements or associated interest in connection with the tax disputes as at 31 March 2023.

On 31 October 2023, the Vodafone Group Plc group signed an Acquisition Agreement for the sale of the entire issued share capital of Vodafone Holdings Europe S.L.U. to Zegona Communications Plc. Pursuant to the Acquisition Agreement, Zegona Communications Plc will pay to Vodafone Group Plc an amount of consideration of €5 billion on completion, which is subject to adjustments as set out in the Acquisition Agreement. The purchase price is based on an enterprise value of €5 billion. Completion is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including, amongst other things, the Council of Ministers (Consejo de Ministros) of the Spanish Government in respect of foreign direct investment into Spain, the approval of the Secretariat under the Ministry of Economic Affairs and Digital Transformation of the transfer of relevant concessions for the private use of the public radioelectric domain and approval being granted by the shareholders of Zegona Communications Plc.

Target Business Unaudited Condensed Consolidated Interim Historical Financial Information

CONDENSED CONSOLIDATED INTERIM HISTORICAL FINANCIAL INFORMATION OF VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES

For the three-months ended 30 June 2023

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

		For the three-months ended 30 June	
	Notes	Unaudited 2023 €000	Unaudited 2022 €000
Revenue	2	**964,782**	**987,527**
Supplies		(260,102)	(287,331)
Corporate costs	7	(71,130)	(69,192)
Other expenses		(293,276)	(259,971)
Net credit losses on financial assets		(24,303)	(31,200)
Depreciation, amortisation and impairment losses		(410,789)	(416,782)
Operating Loss		**(94,818)**	**(76,949)**
Finance income		14	26
Finance costs		(48,599)	(19,774)
Loss for the period before income tax		**(143,403)**	**(96,697)**
Income tax credit	3	-	-
Loss for the period attributable to equity holders of the parent		**(143,403)**	**(96,697)**
Loss per share	4		
– Basic		(0.16)	(0.11)
– Diluted		(0.16)	(0.11)

The accompanying Notes are an integral part of the unaudited Condensed Consolidated Interim Historical Financial Information.

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	Unaudited As at 30 June 2023 €000	Audited As at 31 March 2023 €000
Assets			
Non-current assets			
Intangible assets	8	1,199,241	1,223,487
Property, plant and equipment	9	4,561,125	4,640,611
Other investments		2,320	1,913
Trade and other receivables		164,127	145,452
		5,926,813	**6,011,463**
Current assets			
Inventory		51,159	34,370
Taxation recoverable		287	371
Trade and other receivables		761,519	1,042,427
Cash and cash equivalents		5,131	4,479
		818,096	**1,081,647**
Total assets		**6,744,909**	**7,093,110**
Equity and Liabilities			
Equity			
Share capital	4	903,194	903,194
Share-based payment reserve		(15,157)	(13,745)
Accumulated losses		(195,383)	(53,670)
Total equity attributable to equity holders of the parent		**692,654**	**835,779**
Non-current liabilities			
Borrowings		4,247,340	4,265,488
Deferred tax liabilities		3,240	3,240
Provisions		156,669	149,633
Trade and other payables		46,139	47,506
		4,453,388	**4,465,867**
Current liabilities			
Borrowings		426,832	366,985
Provisions		24,795	29,316
Trade and other payables		1,147,240	1,395,163
		1,598,867	**1,791,464**
Total equity and liabilities		**6,744,909**	**7,093,110**

The accompanying Notes are an integral part of the unaudited Condensed Consolidated Interim Historical Financial Information.

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital €000	Share-based payment reserve €000	Accumulated losses €000	Total equity €000
Balance at 1 April 2022	**903,194**	**(11,469)**	**144,557**	**1,036,282**
Loss for the period attributable to equity holders of the parent	-	-	(96,697)	(96,697)
OCI	-	-	3,456	3,456
Share-based payments [1]		(4,268)	-	(4,268)
Balance at 30 June 2022	**903,194**	**(15,737)**	**51,316**	**938,773**

	Share capital €000	Share-based payment reserve €000	Accumulated losses €000	Total equity €000
Balance at 1 April 2023	**903,194**	**(13,745)**	**(53,670)**	**835,779**
Loss for the period attributable to equity holders of the parent	-	-	(143,403)	(143,403)
OCI	-	-	1,690	1,690
Share-based payments [1]	-	(1,412)	-	(1,412)
Balance at 30 June 2023	**903,194**	**(15,157)**	**(195,383)**	**692,654**

1 Share-based payments comprise of the charge of the awarded shares, measured at fair value as described in Note 20 of the Historical Financial Information, and the payment as noted in the consolidated statement of cash flows.

The accompanying Notes are an integral part of the unaudited Condensed Consolidated Interim Historical Financial Information.

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the three-months ended 30 June	
	Notes	Unaudited 2023 €000	Unaudited 2022 €000
Inflow from operating activities	**5**	**56,924**	**101,285**
Cash inflows/(outflows) from investing activities		**56,879**	**(72,877)**
Purchase of intangible assets		(94,210)	(89,545)
Purchase of property, plant and equipment		(133,432)	(163,472)
Purchase of investments		(502)	-
Disposal of property, plant and equipment and intangible assets		26	3,581
Disposal of investments		95	-
Net amounts received on intercompany loan receivables		284,902	176,559
Cash outflows from financing activities		**(113,151)**	**(30,958)**
Repayment of leases		(98,487)	(119,992)
Settlement of share-based payment by parent company		(2,998)	(5,960)
Net amounts (paid) / received on intercompany loans		(11,666)	94,994
Net cash inflow/(outflow)		**652**	**(2,550)**
Cash and cash equivalents at beginning of the period		4,479	4,642
Cash and cash equivalents at end of the period		**5,131**	**2,092**

The accompanying Notes are an integral part of the unaudited Condensed Consolidated Interim Historical Financial Information.

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Historical Financial Information

1. Basis of preparation

Background to the transaction

As announced on 31 October 2023, Vodafone Group Plc has agreed to sell the entirety of its Spanish business to Zegona Communications Plc ('the Acquirer') which, subject to the satisfaction of certain conditions, is expected to complete between January and March 2024.

The transaction perimeter includes the trading entities (Vodafone España S.A.U., Vodafone ONO S.A.U. Vodafone Servicios, S.L.U. and Vodafone Energía S.L.U) and the holding company (Vodafone Holdings Europe S.L.U.) of the Spanish business (together the 'Vodafone Spain Group'. The details of the entities are described in Note 24 of the Historical Financial Information for the period ended 31 March 2023.

The following financial information set out in the Condensed Consolidated Interim Historical Financial Information which has been derived from the Spanish business accounting records for the periods ending 30 June 2023 and 2022.

Basis of preparation

This Condensed Consolidated Interim Historical Financial Information has been prepared for the three-month period ended 30 June 2023 and 2022 and has been prepared specifically for the purposes of this prospectus and in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK.

The Condensed Consolidated Interim Historical Financial Information should be read in conjunction with the Historical Financial Information for the three-year ended 31 March 2023 which have been prepared in accordance with the UK-adopted International Accounting Standards ('UK-adopted IAS'). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since 31 March 2023.

The accounting policies and methods of computation adopted are the same as those of the Historical Financial Information for the three-year ended 31 March 2023, as described therein.

The Condensed Consolidated Interim Historical Financial Information do not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006 (the "Companies Act").

Going concern

Vodafone Group Plc has expressed its continuing financial support to maintain adequate financial resources to the Vodafone Spain Group to enable the Vodafone Spain Group to meet its liabilities as and when they become due, should that be necessary, for at least the period to 31 December 2024 or until the completion of its sale of the Vodafone Spain Group to Zegona, whichever occurs first. Consequently, and having considered the overall position of the Vodafone Group set out in its Annual Report and Accounts for the year end 31 March 2023, the Zegona Directors are satisfied the Vodafone Spain Group has the ability to continue as a going concern during the period until completion of the acquisition.

The going concern assessment has been performed for the period to 31 December 2024 and on the basis that the acquisition of the Vodafone Spain Group by Zegona completes. The acquisition will be funded by:

- Net proceeds from an equity raise, consisting of underwritten placing proceeds of €0.3 billion and a subscription by EJLSHM Funding Limited of € 0.9 billion.
- An underwritten financing package of up to €4.2 billion, which comprises a term loan facility of up to €0.5 billion and a corporate bridge facility of up to €3.7 billion.

The bridge loan is for a term of 12 months, with two 6-month extension options being available at the discretion of the Zegona Directors. This equity funding and debt financing have been taken into account for the purposes of the going concern assessment, with the transaction not proceeding without both debt and equity raises taking place. A financial covenant is attached to the underwritten financing package, however this is first measured on 31 March 2025 and hence is not applicable during the assessment period. In assessing whether the going concern assumption is appropriate, the Zegona Board considered the group cash flow forecasts of the Vodafone Spain Group following Completion of the Combination between Zegona and Vodafone Spain Group under various scenarios, identifying risks and mitigating factors and ensuring the Combined Group has sufficient funding to meet its current and contracted commitments as and when they fall due for the going concern assessment period. Such risks include increases to competition within the Spanish telecommunications sector, a failure to control customer churn rates or an increase in the cost base.

The Zegona Directors consider the preparation of the Historical Financial Information on a going concern basis to be appropriate. This is due to the following key factors:

- Operational performance for the period from 1 July 2023 to 31 October 2023 remains in line with previous reported performance levels and management forecasts, therefore supporting the free cash flows which have been modelled in the base case
- In addition to the equity raise and underwritten financing package described above, undrawn revolving credit facilities of €500m will be available to Zegona at transaction close
- As a result of the operating cash flows generated, the Zegona Directors' base case forecasts and stress test scenarios show that the revolving credit facility is sufficient to meet working capital requirements.

Basis of preparation (continued)

Going concern (continued)

The Zegona Directors have assessed the going concern assumptions during the approval of the Historical Financial Information. The assessment includes the review of the Combined Group's cashflow forecast and budget, which included considerations on expected developments in liquidity, debt and capital. The Zegona Directors have also combined their selected sensitivities which include revenue reductions and increases in operating and capital expenditure assumptions and interest rates to arrive at potential severe but plausible downside scenarios and stress tests in concluding that the Combined Group is able to continue in operation throughout the going concern assessment period. In all plausible scenarios modelled, the Target Group continues to have sufficient liquidity and headroom throughout the going concern period.

The Zegona Group directors have also identified a number of mitigating actions that, under severe downside scenarios, the Zegona Group directors would aim to take to improve liquidity, such as the deferral or cancellation of non-committed capital spend, or the use of factoring arrangements.

The Zegona Directors have concluded that on the basis of the forecasts described above, and after taking into account the net proceeds of the equity fundraise and the funds available under the underwritten financing package, the Combined Group will continue in operational existence for the period to 31 December 2024. The Directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing the historical financial information.

1.1 Critical Accounting judgements and key sources of estimation uncertainty

The critical accounting judgements and estimates disclosed in the Historical Financial Information remain unchanged.

Judgements relating to potential indicators of impairment

The Group performs its annual impairment test for goodwill as at 31 March. At interim reporting periods the Group performs a review to identify any indicator of impairment that may indicate that the carrying amount of the Group's cash generating unit ('CGU') may not be recoverable.

Capitalisation of customer-related intangible assets

The direct and incremental costs of acquiring or retaining a customer relationship are recognised as customer-related asset if the Group expects to recover those costs. Customer-related assets refer to commissions paid to staff and agents for acquiring new customers and renewals of existing customers on behalf of the Group.

Customer-related intangible assets are capitalised whenever they meet all of the following criteria:

- Costs that the Group incurs to acquire a contract with a customer that it would not have incurred if the contract had not been obtained.
- Costs that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Neither IFRS 15, nor IAS 1 provide specific guidance on the presentation of assets arising from capitalised customer-related costs. Management considers that these contract costs are similar in nature to intangibles assets under IAS 38. This conclusion is based on the fact that customer contracts and customer relationships could be considering identifiable intangible assets. Management considers that the purpose of the commission payments is to incentivise the agent to identify the customer and persuade them to sign the contract. Therefore, the commissions paid to staff and agents forms part of the cost of acquiring these intangible assets.

Customer-related assets is a component of the intangible assets and, amortised over the contract life; typically, this is over the customer contract period as new commissions are payable on contract renewal.

The amortisation of customer-related intangible assets is recognised in the comprehensive income statement as part of depreciation, amortisation and impairment losses.

1.2 Significant accounting policies applied in the current reporting period that relate to the Condensed Consolidated Interim Historical Financial Information as a whole

1.2.1 New accounting pronouncements to be adopted

The accounting policies adopted are consistent with those of the previous financial period. New standards or interpretations which were mandatory for the Group beginning 1 April 2023 did not have a material impact on the net assets or results of the Group. Further details are provided in the historical financial information.

2. Revenue disaggregation

Revenue disaggregation and segmental statement of comprehensive income analysis

Revenue reported for the period includes revenue from contracts with customers as well as other revenue items including revenue from equipment revenue, leases and interest revenue arising from transactions with a significant financing component.

The table below presents Revenue:

	Three-months ended 30 June	
	2023	**2022**
	€000	**€000**
Service revenue	870,706	897,940
Equipment revenue	77,962	66,914
Revenue from contracts with customers	**948,668**	**964,854**
Interest revenue	3,060	6,441
Other revenue	13,054	16,232
Total revenue	**964,782**	**987,527**

Performance metrics

Non-GAAP measure	Purpose	Definition
Adjusted EBITDA	Adjusted EBITDA and adjusted Obitual is used in conjunction with financial measures such as operating profit to assess the Group's operating performance and profitability. It is a key external metric used by the investor community to assess performance of the Group's operations.	Adjusted EBITDA is operating profit excluding net interest, depreciation, amortisation (including amortisation of customer-related intangible assets), and gains/losses on disposal of owned and leased assets, impairment losses, restructuring costs arising from discrete restructuring plans, other income and expense and significant items that are not considered by management to be reflective of the underlying performance of the Group. Adjusted EBITDAaL includes the impacts on lease-related right of use assets and interest on lease liabilities.

A reconciliation of adjusted EBITDA and adjusted EBITDAaL, the Group's measures of segment performance, to the Group's profit or loss before taxation for the financial period is shown below.

	Three-months ended 30 June	
	2023	**2022**
	€000	**€000**
Adjusted EBITDA	**332,465**	**341,879**
Depreciation and gain on disposal of leased assets[1]	**(105,222)**	**(107,554)**
Interest on lease liabilities	(8,856)	(7,668)
Adjusted EBITDAaL	**218,387**	**226,657**
Restructuring costs[1]	(37,171)	(1,251)
Interest on lease liabilities	8,856	7,668
Loss on disposal of owned assets	(2,051)	(795)
Depreciation owned assets	(168,249)	(186,856)
Amortisation of owned assets	(37,575)	(37,101)
Amortisation of customer-related intangible assets	(77,015)	(85,271)
Operating loss	**(94,818)**	**(76,949)**
Net financing costs	(48,585)	(19,748)
Loss before taxation	**(143,403)**	**(96,697)**

[1]Restructuring costs include an impairment charge of €18,855 thousand (Nil for the three months ended 30 June 2022) relating to the reassessment of the useful lives of certain leased assets and €3,872 thousand (Nil for the three months ended 30 June 2022) relating to the reassessment of the useful lives of certain owned assets as part of the Group's restructuring plan.

Revenue disaggregation (continued)

Restructuring costs comprises certain restructuring plans, including staff reductions, the outsourcing of retail channels and optimisation of the retail structure, reorganisation of spaces, and others, to reduce cost and improve the efficiency of the Group.

Segmental analysis

The Group operates with a single segment since all the Group companies are focused on providing telecommunications services under a common network and strategic decisions are independent of the Group's structure.

3. Taxes

Income tax expense is recognised based on management's estimate of the annual income tax rate expected for the full financial year. The resulting tax charge in the interim periods was nil due to the impact of unrecognised tax losses. The losses do not expire, and no deferred tax asset is recognised for these losses due to the trading environment in Spain.

Amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules'

The amendments provide a temporary exemption from accounting for deferred taxes in jurisdictions applying the OECD International Tax Reform. The amendments also include specific reporting requirements to help investors to get a better understanding of the tax exposure derived from the reform, before the amendment enters into force, although these disclosures are not required for the interim periods of 2023.

The Group has applied exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Amendment to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

This amendment requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

The Group's financial reporting is presented in accordance with the above new amendment from 1 April 2023. This amendment did not result to have a material impact on the condensed consolidated statement of comprehensive loss, condensed consolidated statement of financial position or condensed consolidated statement of cash flows.

4. Loss per share

Basic loss per share is the amount of losses generated for the three-month period attributable to equity holders divided by the weighted average number of shares in issue during the period.

	Three-months ended 30 June	
	2023	**2022**
	€000	**€000**
(Loss) for basic and diluted losses per share	**(143,403)**	**(96,697)**
	thousands	**thousands**
Weighted average number of shares for basic earnings per share	**903,194**	**903,194**
	eurocents	**eurocents**
Basic and diluted loss per share from operations	**(0.16)**	**(0.11)**

The share capital of Vodafone Holdings Europe, S.L.U is represented by 903,194,000 fully subscribed and paid up ordinary registered shares of €1 par value each.

5. Reconciliation of net cash flow from operating activities

The table below shows how the loss for the period from continuing operations translates into cash flows generated from operating activities.

	Three-months ended 30 June	
	2023	**2022**
	€000	**€000**
Loss for the financial period	**(143,403)**	**(96,697)**
Financing income	(14)	(26)
Financing costs	48,599	19,774
Operating loss	**(94,818)**	**(76,949)**
Adjustment for:		
Share-based payments and other non-cash charges	3,286	5,152
Depreciation, amortisation and impairment losses	410,752	416,782
Loss on disposal of property, plant and equipment and intangible assets	2,048	797
(Increase)/decrease in inventory	(16,790)	3,747
Increase in trade and other receivables	(25,239)	(58,833)
Decrease in trade and other payables	(175,363)	(170,746)
Interest received	14	26
Interest paid	(47,050)	(18,618)
Cash generated by operations	**56,840**	**101,358**
Net tax received (paid)	84	(73)
Net cash flow from operating activities	**56,924**	**101,285**

6. Fair value of financial instruments

The table below sets out the financial instruments held at fair value by the Group:

	30 June 2023	31 March 2023
	€000	**€000**
Financial assets at fair value: Trade receivables at fair value through other comprehensive income (included in 'Trade and other receivables')		
Non-current	66,018	49,086
Current	79,304	64,425
Total	**145,322**	**113,511**

These financial assets are measured at fair value and the basis is a level 2 classification which comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset, either directly or indirectly.

The fair value of the Group's financial assets held at amortised cost approximates to their respective fair values.

7. Employees

The cost incurred in respect of these employees (including Directors) and recognised as 'corporate costs' in the income statement was:

	Three-months ended 30 June	
	2023	**2022**
	€000	**€000**
Wages and salaries	52,671	51,917
Social security costs	15,190	13,951
Other pension costs	1,661	1,632
Share-based payments	1,586	1,692
Restructuring	22	-
Total	**71,130**	**69,192**

8. Intangible assets

The intangible assets decrease is related to the usual commercial activities of the Group.

	License and spectrum fees €000	Computer software €000	Customer-related intangible assets €000	Other €000	Total €000
Net book value					
Cost	1,653,362	858,737	474,939	732	2,987,770
Accumulated amortisation	(923,318)	(584,838)	(255,435)	(692)	(1,764,283)
At 31 March 2023	**730,044**	**273,899**	**219,504**	**40**	**1,223,487**
At 1 April 2023	730,044	273,899	219,504	40	1,223,487
Additions	-	19,113	72,037	-	91,150
Disposals	-	(806)	-	-	(806)
Amortisation charge	(12,993)	(24,546)	(77,015)	(36)	(114,590)
At 30 June 2023	**717,051**	**267,660**	**214,526**	**4**	**1,199,241**
Cost	1,653,362	871,346	456,247	732	2,981,687
Accumulated amortisation	(936,311)	(603,686)	(241,721)	(728)	(1,782,446)
At 30 June 2023	**717,051**	**267,660**	**214,526**	**4**	**1,199,241**

9. Property, plant and equipment

The property, plant and equipment assets decrease is related to the usual commercial activities of the Group.

	Land and buildings €000	Equipment, fixtures and fittings €000	Total €000
Net book value			
Cost	285,322	11,536,616	11,821,938
Accumulated depreciation and impairment	(162,830)	(8,028,050)	(8,190,880)
At 31 March 2023	**122,492**	**3,508,566**	**3,631,058**
At 1 April 2023	**122,492**	**3,508,566**	**3,631,058**
Additions	230	86,401	86,631
Disposals	-	(1,265)	(1,265)
Impairment charge	(3,872)	-	(3,872)
Depreciation charge	(4,267)	(163,982)	(168,249)
At 30 June 2023	**114,583**	**3,429,721**	**3,544,304**
Cost	285,373	11,597,194	11,882,567
Accumulated depreciation and impairment	(170,790)	(8,167,473)	(8,338,264)
At 30 June 2023	**114,583**	**3,429,721**	**3,544,304**

On 30 June 2023, Vodafone Spain communicated to its employees a plan, to be executed during the second quarter of financial year ending 31 March 2024, to optimize the use of spaces in the headquarters premises. This event resulted in an impairment charge of €18,855 thousand relating to the reassessment of the useful lives of certain leased assets and €3,872 thousand relating to the reassessment of the useful lives of certain owned assets that has been recognised in the condensed consolidated interim historical financial information for the period that ended 30 June 2023.

Property, plant and equipment (continued)

Right-of-use assets arising from the Group's lease arrangements are recorded within property, plant and equipment:

	30 June 2023 €000	31 March 2023 €000
Property, plant and equipment (owned assets)	3,544,304	3,631,058
Right-of-use assets	1,016,821	1,009,553
Total	**4,561,125**	**4,640,611**

10. Related party transactions

Transactions and balances with related parties primarily comprise fees for the use of products and services, roaming and brand.

	Three-months ended 30 June 2023 €000	 2022 €000
Transactions with related parties		
Sales of goods and services	49,751	51,629
Purchase of goods and services	(225,392)	(218,158)
Operating expense (non-lease component)	(10,979)	(10,979)
Financing income	2,086	16
Financing costs	(40,646)	(10,129)
Purchase of tangible and intangible assets	(2,793)	(2,803)
Balances with related parties	**30 June 2023 €000**	**31 March 2023 €000**
Trade balances owed:		
by related parties	48,557	40,402
to related parties	(132,476)	(194,209)
Lease liabilities	(506,451)	(528,078)
Other balances owed:		
by related parties	81,433	366,334
to related parties	(3,201,421)	(3,196,405)

Transactions with Directors of the Group other than compensation

During the three-months ended 30 June 2023 and as of the date of issuance of these Condensed Consolidated Interim Historical Financial Information, no Director nor any other executive officer, nor any associate of any Director or any other executive officer, was indebted to the Group. During the three-months ended 30 June 2023 and as of the date of issuance of these selected Condensed Consolidated Interim Historical Financial Information, the Group has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel (including Directors, any other executive officer, senior manager, any spouse or relative of any of the foregoing or any relative of such spouse) had or was to have a direct or indirect material interest.

11. Commitments

Note 22 'Commitments' to the Group's Historical Financial Information outlined the Group's commitments as at 31 March 2023. There have been no material changes during the three-months ended 30 June 2023.

12. Subsequent Events

Subsequent to the balance sheet date it was announced, during the month of September 2023, that the Chair, Mr. Antonio Manuel da Costa Coimbra will leave the Group. Mário Jorge Soares Vaz has been appointed as the new Chair.

The Group is engaged with ongoing legal disputes in regard to taxation levied upon mobile telephony operators. On 18 October 2023 and 31 October 2023, favourable resolutions to Vodafone Spain were issued by the courts in relation to Vodafone's claims for the 2012 and 2014 calendar years (respectively), resulting in the right to reimbursement (including associated interest) totalling €81 million. Legal disputes in relation to other years remain ongoing. No amounts have been recognised for reimbursements or associated interest in connection with the tax disputes as at 30 June 2023.

On 31 October 2023, the Vodafone Group Plc group signed an Acquisition Agreement for the sale of the entire issued share capital of Vodafone Holdings Europe S.L.U. to Zegona Communications Plc. Pursuant to the Acquisition Agreement, Zegona Communications Plc will pay to Vodafone Group Plc an amount of consideration of €5 billion on completion, which is subject to adjustments as set out in the Acquisition Agreement. The purchase price is based on an enterprise value of €5 billion. Completion is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including, amongst other things, the Council of Ministers (Consejo de Ministros) of the Spanish Government in respect of foreign direct investment into Spain, the approval of the Secretariat under the Ministry of Economic Affairs and Digital Transformation of the transfer of relevant concessions for the private use of the public radioelectric domain and approval being granted by the shareholders of Zegona Communications Plc.

PART XIV. OPERATING AND FINANCIAL REVIEW OF THE ZEGONA GROUP

Some of the information referred to below or incorporated by reference into this Prospectus includes forward-looking statements that involve risks and uncertainties. The Zegona Group's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, including under Part II (*Risk Factors*).

1. **Information Incorporated by Reference**

The discussion of the Zegona Group's operating and financial review included in the sections of the Zegona Annual Reports and the Zegona Half Year Results 2023 Statement referred to below are incorporated by reference into this Prospectus.

2. **Cross-Reference List**

The following list is intended to enable Shareholders to identify easily the items of information which have been incorporated by reference into this Prospectus, for the purpose of providing a review of the Zegona Group's operating and financial performance for each of the financial years ended 31 December 2022, 2021 and 2020 and the six months ended 30 June 2023.

<u>Zegona Half Year Results 2023 Statement</u>

The following pages of the Zegona Half Year Results 2023 Statement have been incorporated by reference:

- Management Report (page 1-2)
- Responsibility Statement (page 3)
- Condensed Consolidated Statement of Comprehensive Income (page 4)
- Condensed Consolidated Statement of Financial Position (page 5-6)
- Condensed Consolidated Statement of Other Comprehensive Income (page 7)
- Condensed Consolidated Statement of Financial Position (page 8)
- Condensed Consolidated Statement of Changes in Equity (page 9-10)
- Condensed Consolidated Statement of Cash Flows (page 11)
- Notes to the Condensed Consolidated Interim Financial Statements (page 12-16)

<u>2022 Zegona Annual Report</u>

The following pages of the 2022 Zegona Annual Report have been incorporated by reference:

- Strategic Report, Business and Financial Review (page 4-5)
- Governance, Independent Auditor's Report to the members of Zegona (page 39-46)
- Financial Statements, Consolidated Statement of Comprehensive Income (page 47)
- Financial Statements, Consolidated Statement of Other Comprehensive Income (page 48)
- Financial Statements, Consolidated Statement of Financial Position (page 49)
- Financial Statements, Company Statement of Financial Position (page 50)
- Financial Statements, Consolidated Statement of Changes in Equity (page 51-52)
- Financial Statements, Company Statement of Changes in Equity (page 53-54)
- Financial Statements, Consolidated Statement of Cash Flows (page 55)
- Financial Statements, Company Statement of Cash Flows (page 56)
- Financial Statements, Notes to the Financial Statements (page 57-80)

2021 Zegona Annual Report

The following pages of the 2021 Zegona Annual Report have been incorporated by reference:

- Strategic Report, Business and Financial Review (page 5-6)
- Governance, Independent Auditor's Report to the members of Zegona (page 52-59)
- Financial Statements, Consolidated Statement of Comprehensive Income (page 60)
- Financial Statements, Consolidated Statement of Other Comprehensive Income (page 61)
- Financial Statements, Consolidated Statement of Financial Position (page 62)
- Financial Statements, Company Statement of Financial Position (page 63)
- Financial Statements, Consolidated Statement of Changes in Equity (page 64-65)
- Financial Statements, Company Statement of Changes in Equity (page 66-67)
- Financial Statements, Consolidated Statement of Cash Flows (page 68)
- Financial Statements, Company Statement of Cash Flows (page 69)
- Financial Statements, Notes to the Financial Statements (page 70-97)

2020 Zegona Annual Report

The following pages of the 2020 Zegona Annual Report have been incorporated by reference:

- Strategic Report, Business and Financial Review (page 5-11)
- Independent Auditor's Report to the members of Zegona (page 52-59)
- Financial Statements, Consolidated Statement of Comprehensive Income (page 60)
- Financial Statements, Consolidated Statement of Other Comprehensive Income (page 61)
- Financial Statements, Consolidated Statement of Financial Position (page 62)
- Financial Statements, Company Statement of Financial Position (page 63)
- Financial Statements, Consolidated Statement of Changes in Equity (page 64)
- Financial Statements, Company Statement of Changes in Equity (page 65)
- Financial Statements, Consolidated Statement of Cash Flows (page 66)
- Financial Statements, Company Statement of Cash Flows (page 67)
- Financial Statements, Notes to the Financial Statements (page 68-95)

3. **Financing Arrangements**

For a summary of the Zegona Group's financing arrangements, see section 6 of Part VIII (*Information About the Transaction*).

4. **Working Capital**

The 2022 Zegona Annual Report contains a material uncertainty disclosure in Note 2(b) of the consolidated financial statements (incorporated by reference into this Prospectus) relating to two scenarios which could compromise its ability to continue as a going concern, mainly that (i) it is unable to identify and successfully complete a new investment opportunity and secure sufficient funding on terms that would allow it to deliver attractive investor returns; and (ii) it could incur costs in connection with pursuing an unsuccessful opportunity that would exhaust its cash reserves. The Directors do not believe this material uncertainty qualifies the working capital statement given at paragraph 13 of Part XX (*Additional Information*) of this Prospectus, because (i) assuming Completion occurs, it will have executed an investment that is funded on terms it believes will create sufficient value to deliver attractive returns to investors and (ii) if Completion does not occur, it has agreed to abort arrangements and has sufficient cash reserves to fund any potential abort costs related to the Transaction and its day-to-day working capital requirements.

PART XV. OPERATING AND FINANCIAL REVIEW OF VODAFONE SPAIN

This Part XV (Operating and Financial Review of Vodafone Spain) should be read in conjunction with Part XIII (Historical Financial Information). The financial information considered in this Part XV (Operating and Financial Review of Vodafone Spain) is extracted from the financial information set out in Section B of Part XIII (Historical Financial Information). The consolidated financial statements referred to in this discussion have been prepared in accordance with IFRS as adopted by the UK.

1. Overview

Vodafone Spain provides a wide range of services connectivity and caters to both the Consumer and Business markets.

Consumer segment overview

Through its consumer segment, Vodafone Spain offers Mobile, Fixed BB, Fixed voice and PayTV and other ancillary services to customers nationwide, generating €2,453 million (unaudited) of consumer total revenue in FY23 representing approximately 63 per cent. of total revenue. As of 31 December 2022, Vodafone Spain had approximately 4.8 million total subscribers and was well-positioned across the Consumer Mobile, Fixed BB, Fixed voice and PayTV markets in Spain with customer market share of 19 per cent. in mobile consumer contract, 17 per cent. in Fixed BB, 20 per cent. in PayTV and 26 per cent. in mobile consumer prepaid .

Vodafone Spain markets its products to consumers via a multi–brand strategy, allowing it to provide converged offerings to both the premium end of the Spanish market with the Vodafone brand and to the value segment with the Lowi and Finetwork brands.

Business segment overview

Vodafone Spain offers a comprehensive portfolio of products and services including connectivity services such as mobile and fixed and new businesses such as IoT, IP-VPN and C&H. Vodafone Spain also provides bulk SMS services and mobile handsets to business customers. Through its business segment, Vodafone Spain generated €1,292 million (unaudited) of business total revenue in FY23 representing approximately 33 per cent. of total revenue.

Vodafone Spain addresses businesses of all sizes, from SOHOs, SMEs, larger corporates to public administrations. Vodafone Spain's Business segment is a leading digital partner for SOHO and SMEs and a key challenger for corporates and public administrations in Spain with significant market share in business Mobile and Fixed Broadband as of 31 March 2023. Vodafone Spain also offers advanced, flexible and innovative portfolio of digital solutions for businesses, including IoT, IP-VPN, C&H and holds partnerships with tech consultancy sector leaders including Accenture, Atos, Deloitte, Cisco, Foxway, Google, Microsoft, Samsung and Unisys.

Vodafone Spain was the third largest network operator in Spain in FY23, with €3.9 billion in revenue and approximately 19.7 per cent. total revenue market share. Since its launch in 1994, Vodafone Spain has grown through a combination of organic product development and strategic acquisitions and continues to strengthen its market position through the development of its own network alongside a number of strategic wholesale partnerships. The use of a franchise model for retail outlets has enabled Vodafone Spain to maintain a significant physical footprint across Spain while reducing its fixed operating cost base. Vodafone Spain's strategic initiatives during the period under review have been focused on: (i) value protection (improving customer base management and customer service quality as well as driving product volume uptake), and (ii) competing effectively across all market segments (the Vodafone Lowi and Finetwork brands).

During the period under review, the Vodafone Spain business adapted to challenging external pressures. These included: (i) reacting to a shift in consumer sentiment by growing the value brand, Lowi; (ii) shifting distribution mix from in-store more towards online distribution channels; (iii) implementing a number of cost-saving initiatives; (iii) investing in 5G to future proof for the trend of increasing data usage; and (iv) the carve-out of Vantage Towers in FY21. As of 1 April 2020, Vantage Towers was carved out from the Vodafone Spain business and now operates on a stand-alone basis and, therefore, is excluded from the FY22 and FY23 financial results.

2. Key Performance Indicators and Non-IFRS Financial Information

Vodafone Spain's Management consider a range of financial measures and other metrics in assessing Vodafone Spain's performance and believe that each of these KPIs and non-IFRS financial measures provides useful information regarding Vodafone Spain's business and operations. Apart from Adjusted EBITDA and Adjusted EBITDAaL, the KPIs are not part of Vodafone Spain's audited, consolidated historical financial information and have not been audited or otherwise reviewed by external auditors, consultants or experts and in certain circumstances are based on Vodafone Spain's estimates. Moreover, these measures and metrics may be defined or calculated differently by other companies and, as a result, Vodafone Spain's KPIs and non-IFRS financial measures may not be directly comparable to similar measures and metrics calculated by its peers. For further information on the non-IFRS financial measures and KPIs Vodafone Spain uses, including a reconciliation of Adjusted EBITDA and Adjusted EBITDAaL to the most directly comparable financial measure calculated in accordance with IFRS, see Part IV (*Important Information*) of this Prospectus.

The table below sets out Vodafone Spain's KPIs for the periods indicated:

	Three months ended		**Year ended**		
	30 June 2023	**30 June 2022**	**31 March 2023**	**31 March 2022**	**31 March 2021**
Adjusted EBITDA(1)	€332m	€342m	€1,557m	€1,572m	€1,644m
Adjusted EBITDA Margin(2)	34.5%	34.6%	39.9%	37.6%	39.5%
Adjusted EBITDAaL(3)	€218m	€227m	€1,102m	€1,103m	€1,205m
Business EBITDAaL(4)	-	-	€1,286m	€1,314m	€1,313m
Business EBITDAaL Margin(5)	-	-	32.9%	31.4%	31.5%
Adjusted Cash Flow(6)	-	-	€227m	€72m	€78m
Adjusted Cash Flow Margin(7)	-	-	5.8%	1.7%	1.9%
Business Cash Flow(8)	-	-	€411m	€283m	€185m
Business Cash Flow Margin(9)	-	-	10.5%	6.8%	4.4%
Consumer Contract - Converged Customer Accounts(10)	2.2m	2.2m	2.2m	2.2m	2.3m
Consumer Contract - Converged Customer Accounts ARPA(11)	€52.7	€52.8	€51.8	€55.3	€55.7
Fixed Broadband Closing Customers(12)	2.8m	3.0m	2.9m	3.0m	3.2m
Broadband Churn(13)	23.8%	22.8%	22.7%	27.3%	24.8%
TV Customers(14)	1.4m	1.5m	1.5m	1.5m	1.6m
Mobile Closing Customers(15)	13.5m	13.5m	13.5m	13.6m	13.2m
Mobile Contract Closing Customers(16)	11.0m	11.3m	11.1m	11.4m	11.4m
Mobile Contract Churn(17)	20.0%	17.6%	19.8%	20.7%	20.2%

Notes:

(1) "Adjusted EBITDA" is defined as operating profit excluding net interest, depreciation, amortisation (including amortisation of customer-related intangible assets), and gains/losses on disposal of owned and leased assets, impairment losses, restructuring costs arising from discrete restructuring plans, other income and expense and significant items that are not considered by Vodafone Spain's Management to be reflective of the underlying performance of Vodafone Spain.

(2) "Adjusted EBITDA Margin" is defined as Adjusted EBITDA divided by total revenue.

(3) "Adjusted EBITDAaL" is defined as Adjusted EBITDA including the impacts on lease-related right of use assets and interest on lease liabilities.

(4) "Business EBITDAaL" is defined as Vodafone Group Spanish segment's reported Adjusted EBITDAaL adjusted in line with the Zegona Group's accounting policy relating to subscriber acquisition costs. A reconciliation to Adjusted EBITDAaL can be found in the paragraph entitled "Key Performance Indicators" of Part IV (*Important Information*) of this Prospectus.

(5) "Business EBITDAaL Margin" is defined as Business EBITDAaL divided by total revenue.

(6) "Adjusted Cash Flow" is defined as Adjusted EBITDAaL less capex (accrual) (excluding license and Spectrum fees). A reconciliation to the nearest IFRS measure can be found in the paragraph entitled "Key Performance Indicators" of Part IV (*Important Information*) of this Prospectus.

(7) "Adjusted Cash Flow Margin" is defined as Adjusted Cash Flow divided by total revenue.

(8) "Business Cash Flow" is defined as Business EBITDAaL less capex (accrual) (excluding license and Spectrum fees). A reconciliation to the nearest IFRS measure can be found in the paragraph entitled "Key Performance Indicators" of Part IV (*Important Information*) of this Prospectus.

(9) "Business Cash Flow Margin" is defined as Business Cash Flow divided by total revenue.

(10) "Consumer Contract - Converged Customer Accounts" is defined as the number of customer accounts with any combination of services that at least includes one mobile and one fixed line service, that are either provided under a single contract, or under separate contracts for which the customer receives additional benefits on top of the fee they pay for the individual contracts (e.g., discounts, additional bundle allowance, etc.).

(11) "Consumer Contract - Converged Customer Accounts ARPA" is defined as income from customers related to the provision of fixed and mobile services when the customer gets a benefit from having both services provided by Vodafone, divided by the average number of customer accounts that receive these services.

(12) "Fixed Broadband Closing Customers" is defined as the number of one-month active customers with subscriptions to broadband services with access via a physical fixed line connection.

(13) "Broadband Churn" is a ratio calculated by dividing broadband customers disconnections by the average broadband customer base and expressed as an annualised positive percentage.

(14) "TV Customers" is the number of one-month active customers with subscriptions to TV services either via a physical fixed line connection or a boxless solution without a Vodafone fixed line connection (such as mobile app).

(15) "Mobile Closing Customers" is defined as a Subscriber Identity Module ("**SIM**"), or in territories where SIMs do not exist, a unique mobile telephone number, which has access to the network for any purpose (including data only usage) except telemetric applications and SIMs used in wearables – gadgets that are meant to be worn by people (e.g., smartwatches).

(16) "Mobile Contract Closing Customers" is mobile customer with a post-paid contract (excludes prepaid customers SIMs).

(17) "Mobile Contract Churn" is a ratio calculated by dividing mobile contract SIM's (prepaid not included) disconnections by the average mobile contract subscription customer base and expressed as an annualised positive percentage.

3. Principal Factors Affecting Vodafone Spain's Results of Operations and Financial Condition

Vodafone Spain's results of operations and financial condition are affected by a variety of factors, a number of which are outside Vodafone Spain's control. Set out below is a discussion of the principal factors that Zegona Management believe affected Vodafone Spain's results of operations and financial condition during the periods under review and those which the Vodafone Spain Directors and management team currently expect to affect its operations and financial results in the future. Factors other than those presented below could also have a significant impact on Vodafone Spain's results of operation and financial condition.

3.1 *Multi-brand Strategy of Addressing Different Customer Segments with Tailored Value Propositions*

Over the past decade, developments in the Spanish market such as the increasing market share by brands such as MásMóvil through rapid market consolidation, the emergence of value players such as Digi Communications and strategies adopted by Vodafone Spain's competitors which involved buying market share by pushing customers to non-premium brands based on large price discounts have all contributed to significant pricing pressure in the market. These developments have had a significant impact on Vodafone Spain's results of operation and financial performance during the period under review contributing to declines in customer volumes for the premium Vodafone brand, which Vodafone Spain has been able to partly offset by driving customer growth in the value segment Lowi and Finetwork brands which has resulted in an overall shift in its customer mix towards its value brands. During the period under review, the annual number of connections for the Vodafone brand decreased from 8.3 million in FY21 to 7.4 million in FY22 to 6.7 million in FY23, while connections for Lowi increased from 1.4 million in FY21 to 1.8 million in FY22 to 2.2 million in FY23 and connections for Finetwork increased from 0.4 million in FY21 to 0.7 million in FY22 to 0.8 million in FY23.

In response to these developments, Vodafone Spain has pursued a multi-brand model of marketing and customer service that has allowed it to target all key customer segments in Spain by offering different value propositions across key consumer distribution channels. The Vodafone business operates the multi-brand model across mobile and fixed networks allowing it to provide converged offerings to both the premium (Vodafone) and value (Lowi and Finetwork) segments of the market, which all provide similar levels of service quality for the services they offer in common. However, the value segment brands do not offer certain premium services such as PayTV, 5G or sales of handsets, for example.

Vodafone Spain's sales channels vary also by brand and consist of remote direct sales through its Vodafone and Lowi websites and mobile platforms, a large physical retail network of Vodafone brand stores and distributors, telesales (both customer-led enquiry and active telemarketing) and third-party resellers (including for the Finetwork brand). Vodafone Spain leverages these sales channels to offer its customers a range of service options tailored to their needs through both bundled service offerings and flexible out-of-bundle contracts, competitive and predictable pricing, digital channels and consumer-facing systems like the MiVodafone app and the use of an online chatbot (TOBi) to ensure high quality customer service is delivered with increasing efficiency.

This pricing pressure and shift in customer mix from premium to value brands during the period under review contributed to the overall decline in revenue by 6.2 per cent. from €4,166.4 million in FY21 to €3,906.7 million in FY23. While this pricing pressure contributed to a decrease in Fixed Line and Mobile ARPU across all three of Vodafone Spain's brands, the decrease in the Lowi and Finetwork brands' Fixed Line and Mobile ARPU was less pronounced than in the premium Vodafone brand's ARPU. More recently, there has been some easing of pricing pressure in the premium segment of the market, as Vodafone

Spain's competitors began implementing price increases in the midst of a high inflationary environment, enabling Vodafone Spain to insert a CPI-linked price increase clause into customer contracts for the Vodafone brand, which facilitated corresponding price increases in February and March 2023. Following these price increases, this had the impact of increasing churn in the short term while also increasing ARPU for the Vodafone brand and will allow Vodafone Spain to put through CPI-linked price increases going forward as market conditions allow. In FY23, Vodafone Spain's price increase was 8.1 per cent. compared to price increases of 6.8 per cent. for Telefonica and 3.4 per cent. for Orange.

3.2 *Bundled Offerings and Converged Customer Base*

During the last decade, the Spanish telecommunications market has seen a marked transition towards convergence of fixed and mobile services, with operators bundling services such as broadband, television, and mobile and fixed-line telephony into integrated offers (2P, 3P and 4P), which has made the Spanish telecommunications market amongst the most convergent in Europe.

Vodafone Spain's strategy has been and is expected to continue to be focused on convergence due to the beneficial effects that a highly converged customer base brings to churn and ARPU levels. Bundled offerings have demonstrated lower churn rates, increasing customer stickiness and value generation as convergence grows, as well as positive effects on pricing with ARPU being significantly higher for bundled products compared to single-service customers. Vodafone Spain uses its bundled offerings to attract new customers and to migrate existing customers to additional services, by cross-selling to its existing mobile subscriber base and upselling higher value packages.

In FY23, 27 per cent. of Vodafone Spain's customer base had purchased 4P packages and 56 per cent. of the customer base had purchased more than one product. The majority of Vodafone Spain's customer revenues were from converged services in both the Consumer and Business segments (72 per cent. of Consumer revenues were from converged services in FY23). Vodafone Spain's 4P customers have had the highest ARPU (€64/month in FY23) with the lowest overall churn rates (13 per cent. in FY23) during the period under review. By comparison, during the same period, Vodafone Spain 3P customers had ARPU of €51/month and churn of 23 per cent., 2P customers had ARPU of €36/month and churn of 49 per cent. and 1P customers had ARPU of €29/month and churn of 28 per cent.

3.3 *New Products and Services*

Vodafone Spain's results of operations and financial condition have been and are expected to continue to be impacted by the offering of new products and services to its consumer and business customers. For the Consumer segment, the introduction of new products and services has been, and is expected to continue to be, aimed at continuing to improve consumer loyalty, thereby reducing churn and increasing ARPU, as well as delivering high quality customer care more efficiently through continued digitalisation of services. New products and services include the expansion of the e-commerce Marketplace on the MiVodafone app launched in March 2023. Further, as part of Vodafone Spain's digital progression strategy, it has developed a more integrated customer experience through a blend of physical and digital channel interactions, including through the use of the MiVodafone app, which has contributed towards sales growth across digital channels while also facilitating a reduction in reliance on outbound telemarketing and reducing the volume of incoming calls from consumers. Efficiencies from the increased digitalisation in customer care have also resulted in decreased marketing costs from €129 million in FY21 to €78 million in FY23, in each case unaudited.

For the Business segment, Vodafone Spain's strategy has been continued growth in the key value-add service offerings such as mobile and fixed and the New Business segment which offers an advanced, flexible and innovative portfolio of digital solutions for businesses (including IoT, IP-VPN, and C&H), as well as the expansion into the public administration and corporate client sectors and maximising the value of sales of digital solutions to SME customers in Europe through subsidised voucher schemes supported by the Spanish government's 'Kit Digital' programme funded by the European Union's Recovery and Resilience Facility. The 'Kit Digital' programme offers Vodafone Spain's SME customers a broad range of solutions for different stages of an SME customer's digitalisation journey, including digital marketing, e-commerce, cybersecurity, digital business solutions and smart-working solutions.

Within the Business segment, there has been a shift in customer mix with a decrease in SME and SOHO customers but growth in corporates and public administrations. This has maintained connection numbers but at a lower overall ARPU resulting in a decrease in total Business segment revenue from €1,329 million in FY21 to €1,292 million in FY23, in each case unaudited. Vodafone Spain has been able to mitigate the impact of this shift in customer mix by increasing the penetration of new and other products (such as cloud services), which partially offset the decline in Business segment revenue through growth in C&H (revenue increased from €50 million in FY21 to €95 million in FY23) and IP-VPN (revenue increased from €25 million in FY21 to €56 million in FY23), in each case unaudited.

3.4 ***Cost Saving Initiatives***

Direct costs and overheads have had a significant impact on Vodafone Spain's profitability during the period under review. In order to improve profitability and mitigate against declining revenue, Vodafone Spain Management have begun implementing a series of cost saving initiatives. Key areas of cost savings have been: Zero-based budget, bad debt efficiencies, customer care, right sized organisation and other tech efficiencies amongst others. These measures have included decreasing the volume of incoming customer calls by focusing on the expansion of consumer-facing systems such as the MiVodafone app and the use of a chatbot (TOBi) as well as organisational changes such as staff downsizing programmes to reduce headcount through a combination of redundancies and early retirements resulting in both salary savings and reduced office space. In addition to this, there have been further cost reductions achieved in other areas, including a decrease in content costs (following the discontinuation of live football from the end of the 2019/2020 football season and football for hospitality venues from the 2022/2023 season), outsourced services (driven by customer care cost efficiencies) and a decrease in direct costs corresponding to the decline in trading volumes during the period under review.

The cost savings programme implemented by Vodafone Spain's Management in FY21 realised annualised savings of approximately €150 million (unaudited) by FY23. Direct costs decreased from €1,214 million in FY21 to €1,114 million in FY23, and overheads (including maintenance, outsourced operations, electricity and power, media investment, office accommodation, lease income credits, payroll costs, among others) decreased by approximately 9 per cent. from FY21 to FY23. Vodafone Spain was able to implement and realise such costs savings in FY23 despite operating in a heightened inflationary environment and the increased costs required to implement the expansion of its New Business segment (IoT, IP-VPN, and C&H).

Additionally, Vodafone Spain's capital expenditure increased from €1,136.2 million for the year ended 31 March 2021 to €1,397.7 million for the year ended 31 March 2022, which was due to a €350 million Spectrum concession fee for the expansion of 5G services, and similar expenditure is not expected in the foreseeable future as there are no current plans for further 5G auctions. Capex significantly reduced to €883.1 million for the year ended 31 March 2023 mainly due to: (i) the network sharing agreement with Orange, (ii) lower customer premises equipment achieved by promoting a self-installation model by providing customers with equipment in the form of set-up boxes and modems that can be used by the customer in order to receive the underlying services over the contract term, renegotiation of installation contracts and other logistic efficiencies that improve customer premises equipment reutilisation (which includes all equipment and the cost of installation services undertaken on customers' premises (e.g. TV/ router installation, contractors fees etc.), and (iii) capacity capex reduction due to capacity efficiency with oversubscription policies to maximise asset use.

As part of the Zegona Improvement Plan for the Vodafone Spain business, Zegona Management have identified areas where the Directors believe Zegona can drive cost savings through bringing Vodafone Spain's Business Cash Flow Margin closer to those delivered by Euskaltel in the final year of Zegona's ownership. If the Zegona Improvement Plan is able to improve Vodafone Spain's Business Cash Flow Margin by 50 per cent. of the difference between Euskaltel's Cash Flow margin in the nine months to 30 September 2020[23] and Vodafone Spain's FY23 Business Cash Flow margin (on a benchmarked basis[24]), that would represent annual cost savings of approximately €320 million. For more information, see paragraph 4 of Part VIII (*Information about the Transaction*) of this Prospectus.

3.5 ***Intercompany Services***

Vodafone Spain's results of operations and financial condition are affected by the intercompany support services it receives. Vodafone Spain has benefitted from an extensive range of intercompany support services provided by the wider Vodafone Group. These include: (i) use of standardised platforms and systems; (ii) product/operations/back-office support; (iii) network/engineering operations; (iv) centralised procurement and contracting; and (v) brand use and licensing. After Completion, the majority of these will continue under the terms of the Intercompany Agreements, which will enable the Enlarged Group

[23] Euskaltel benchmark costs based on Zegona analysis of Euskaltel costs in 9 months to September 2020, annualised by multiplying by 1.33. Euskaltel 2020 revenues €697m. Euskaltel benchmark costs used in this section as the closest comparison given Zegona's status at the time as the major shareholder of Euskaltel.

[24] That is, a comparison of the Vodafone Spain cost base and Business Cash Flow Margin against the Euskaltel cost base and Cash Flow margin in the identified period.

to operate the Vodafone Spain business in a substantially similar manner as it did prior to Completion. The total costs (comprised of both fixed and variable costs) of the Intercompany Agreements in the first full financial year following Completion are not expected to exceed €110 million and are expected to be accounted for in future financial periods, following Completion, as operating expenditure as compared to the historical treatment of intercompany charges which were accounted for as both operating expenditure and capital expenditure. For more information on the amounts accounted for as capital expenditures, see the reconciliation of Business EBITDAaL in Part IV *(Important Information)* of this Prospectus.

The Intercompany Agreements will include the PSA, the TSA, the BLA (under which Vodafone will provide certain services, and grant certain rights to Vodafone Group). The Intercompany Agreements also include a number of standalone agreements under which Vodafone Spain and Vodafone Group will each retain access to specific assets, capabilities and infrastructure controlled by the other following Completion, as well as agreements for the sharing of revenue where one party is entitled to resell services made available by the other (for example where Vodafone Group enters into agreements with global enterprise customers for telecommunications services in Spain). For more information, see paragraph 6 of Part VIII (*Information about the Transaction*) of this Prospectus.

Under the TSA, Vodafone Spain will pay an amount in respect of each TSA service as set out in the TSA schedules. If any Omitted Services are subsequently added to the scope of the TSA, the charges for such Omitted Services will be calculated on substantially the same basis as used for the calculation of charges for any similar pre-existing TSA services. The charges for the services to be provided under the TSA have been set by reference to the costs of these services charged to Vodafone Spain in the period prior to Completion, as reflected in Vodafone Group's published financial accounts. For the BLA, licence fees are expected to be a fixed sum that will be pre-paid prior to signing of the BLA.

The Enlarged Group will also provide certain management support services to Vantage Towers under a long-term services agreement. Vodafone Spain and Vantage Towers have also entered into the Vantage Master Services Agreement for the use by Vodafone Spain of Vantage's passive telecommunications infrastructure, including a commitment by Vodafone Spain to build 148 new "Built to Suit" sites with Vantage Towers by March 2026. The Vantage Master Services Agreement requires Vodafone Spain to pay certain top up fees (subject to agreed adjustments) on sites at which Orange Spain installs its own equipment pursuant to a sharing agreement between Vodafone Spain and Orange. Following Completion, the cost of this contract will be applicable to the Enlarged Group.

3.6 ***Macroeconomic Developments in Spain and the effects of Covid-19 on the Vodafone Spain Business***

As Vodafone Spain operates entirely in Spain, its results of operations and financial condition are significantly influenced by macroeconomic developments in the Spanish economy. To the extent they relate to and influence rates of consumer confidence and spending in Spain, rates of Spanish unemployment, GDP growth and other macroeconomic metrics can impact the amount of money that Spanish consumers spend on Vodafone Spain's products and services and thus impact its sales and results of operations. GDP growth and other economic metrics may also correlate with rates of business investment in Spain and can thus impact Vodafone Spain's sales to business customers.

Spain has one of the largest telecommunications markets in Europe, generating an estimated revenue of $12.0 billion in 2022. Of this, US$9.4 billion, or 78 per cent., was derived from mobile services, including voice and data and US$2.6 billion (22 per cent.) from fixed-line services (Source: EIU). In recent years, the use of the internet, television and fixed-line telephones and mobile services has increased in the Spanish regions in which Vodafone Spain operates. Vodafone Spain has benefited from this increase and its growth and profitability depend, in part, on continued demand for these services in the coming years. However, in most regions in Spain, the telecommunications and mobile markets are reaching saturation and, as a result, there are a limited number of new subscribers entering the market. In order to increase Vodafone Spain's subscriber base and market share, Vodafone Spain is dependent on its ability to attract its competitors' existing subscribers, which intensifies the competitive market pressures that Vodafone Spain is subject to.

During the period under review, the Vodafone brand experienced competitive pressure in the Spanish telecommunications market. However, Vodafone Spain mitigated against customer losses in the Vodafone brand through the development of Lowi and partnering with Finetwork, both value brands that are able to compete with the new entrants and encourage customer migration in the Spanish market. However, base connections in the Vodafone brand fell from an average of 8.7 million in FY21 to 6.5 million in FY23 largely as a result of increased competition from lower cost offerings (including some internal migration to these value segment brands – Lowi and Finetwork) in the Spanish market.

Covid-19 was also a factor that had an impact on Vodafone Spain's results of operations and financial condition. During Covid-19, governments of many countries, including Spain, took preventative measures to try to contain its spread. This included mandatory closure of businesses, social distancing requirements and travel restrictions, which severely diminished the level of economic activity around the world and in Spain and caused significant volatility in financial markets and triggered a period of global economic slowdown. Mobile out-of-bundle revenue was negatively impacted in FY21 by lower tourism during the pandemic while mobile incoming revenue was higher in FY21 compared to FY22 and FY23 as call volumes were higher during lockdowns resulting in additional demand from other networks to use Vodafone Spain's capacity. Vodafone Spain's business was affected by other minor impacts mainly related to prepaid visitors, business temporary deactivation, publicity and travel costs and the costs of Covid-19 initiatives implemented by Vodafone Spain.

3.7 *Non-recurring and Other Tax Benefits*

Vodafone Spain's financial performance has been affected by certain one-off and non-recurring tax benefits during the period under review. Vodafone Spain's Adjusted EBITDAaL and Business EBITDAaL have benefited from this during the period under review, particularly in FY22 and FY23. In FY23, one-off incomes contributed €122.0 million to Adjusted EBITDAaL and Business EBITDAaL consisting primarily of the receipt of €29.9 million from a successful tax claim against the Spanish tax authorities and the successful recovery of €75.8 million in VAT that was classified as bad debt, amongst other things. In FY22, one-off incomes contributed €46.0 million to Adjusted EBITDAaL and Business EBITDAaL consisting primarily of income related to tax disputes and spectrum tax refund amongst other things. The impact of one-off and non-recurring incomes in FY21 was much less significant contributing only €8.0 million to Adjusted EBITDAaL and Business EBITDAaL.

Vodafone Spain's Adjusted EBITDAaL and Business EBITDAaL are also expected to benefit from changes to the tax on TV operators going forward. From January 2023, there has been a significant reduction in tax imposed on private TV operators, as a significant portion of the tax has been transferred to the platform operators such as Netflix and HBO. The cost incurred by Vodafone Spain related to this tax was €23.0 million in FY23 (€32.0 million in FY22 and €35.0 million in FY21), and Vodafone Spain management believe the annual cost of the tax going forward from FY24 will reduce to approximately €2.3 million as a result of the changes.

3.8 *Seasonality*

Vodafone Spain's cash flows are subject to seasonal fluctuations throughout the financial year due to a number of factors including the timing of significant payments (e.g., spectrum taxes), capital expenditure and the impact of one-off events and cash receipts (e.g., VAT recovery and other tax reclaims). This seasonal impact is most pronounced around Vodafone Spain's financial year-end in March mainly due to (i) the annual payment of spectrum taxes which are invoiced in March and paid in April of each year and (ii) the majority of capital expenditure invested in the second half of the financial year following the budget process. Historically, there has also been a material impact on working capital and cash flow from the factoring of handset receivables linked to mobile phone acquisition contracts, with the cash typically received in March before the financial year-end from these factoring transactions.

4. **Current Trading and Prospects**

In the period since 30 June 2023, Vodafone Spain's business has performed generally in line with management's expectations for the period. Year-on-year service revenue has continued to be impacted by a lower customer base, particularly in the more premium Vodafone brand and lower Fixed Line and Mobile ARPU primarily driven by continued price competition in the consumer value segment of the market. However, there has been some improvement in quarter-on-quarter performance driven by stabilisation of the customer base and growth in digital services, which was partly offset by lower wholesale revenue. Costs have continued to decline year-on-year driven primarily by the same trends in the first quarter of FY24.

Despite the continued price competition in the consumer value segment of the market, there have been signs of improving stability in the market, with net mobile contract and FBB customer additions improving across all three of Vodafone Spain's brands in second quarter of FY24 compared to the first quarter. Mobile contract churn for the second quarter of FY24 improved to 16.5 per cent. compared to 20 per cent. for the first quarter of FY24 and broadband churn improved to 20.6 per cent. for the second quarter of FY24 compared to 23.8 per cent. for the first quarter of FY24.

5. **Description of Key Line Items**

Revenue

Total revenue consists of revenue from contracts with customers (which consists of service revenue and equipment revenue), interest revenue arising from transactions with a significant financing component and other revenue. Revenue is primarily generated by the provision of mobile and fixed line services, as well as other revenue which relates to logistics and aftercare, interest, the sale of other non-mobile devices and equipment (TVs, electric scooters, smartwatches, etc.) and operating leases (fixed and mobile).

Revenue is recognised when goods and services are delivered to customers and revenue for device sales to end customers is generally recognised when the device is delivered to the end customer.

Service revenue

Service revenue is generated through mobile customer revenue (mobile in-bundle revenue and mobile out of bundle revenue), fixed line, wholesale transit services (roaming fees and MVNO), mobile incoming revenue and business managed services. Revenues for bundled services are generated from voice, data and messaging contracts and prepaid packages with consumers and businesses while mobile out-of-bundle revenues relate to fees realised from incremental minutes, messages or data consumed outside of the customer's agreed bundle package and roaming. Fixed line service revenue consists of a number of different categories (broadband internet, Fixed voice, IP-VPN, leased lines and managed WAN, C&H).

Service revenue consists of consumer revenue and business revenue (which includes VGE services).

Equipment revenue

Equipment revenue is comprised of mobile and fixed line acquisition and retention related equipment revenue.

Interest revenue

Interest revenue is comprised of interest received customer mobile and fixed line equipment.

Other revenue

Other revenue is mostly comprised of fixed line and mobile lease revenue, logistics revenue, Finetwork installation fees and other non-service revenue, including revenue from sales of non-connectivity devices and other equipment.

Supplies

Supplies consist of interconnect costs and direct costs. Interconnect costs include: mobile voice interconnections costs, mobile messaging interconnection costs, mobile data interconnection costs, fixed line total access interconnection costs, fixed line and wholesale transit services and other customer type interconnection costs and mobile wholesale interconnection costs. Direct costs include: fixed line ongoing access costs, fixed line other access costs, mobile top-up airtime commission cots, mobile other costs, advertising costs, mobile content costs, fixed line access content costs, fixed line and wholesale transit services direct other costs, bad debt and contract asset write off.

Corporate costs

Corporate costs consist mainly of personnel costs related to wages and salary, social security, pensions, share based payment expenses and personnel restructuring costs.

Other expenses

Other expenses consist of costs incurred to fulfil customer contracts and to maintain the business operations. This includes operating expenditure related to, amongst other things, IT (software and hardware) and network maintenance, outsourced operations, intercompany costs, other services and network sharing costs.

Other expenses also includes customer acquisition and retention costs, excluding sales commissions.

Net credit losses on financial assets

Credit losses consist of the carrying value of all trade receivables, contract assets and finance lease receivables recorded at amortised cost and reduced by allowances for lifetime estimated credit losses. Expected credit losses are presented within operating losses and subsequent recoveries of amounts previously written off are credited against the same line item.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses consists of the amortisation of customer-related intangible assets and depreciation of right of use assets and property, plant and equipment.

Finance income

Finance income consists of interest related to the recovery of excess licence fees (related to movements in intangible assets) and other financing income mainly related to the compensation received for the positive judgement of a lawsuit in relation to the VAT fees received primarily in 2023 in connection with the Vodafone ONO claim. For more information, please see paragraph 15 of Part XX *(Additional Information)* of this Prospectus.

Finance cost

Finance costs consist of financial liabilities measured at amortised cost, lease liabilities and loans from related parties (intercompany loans) and other liabilities.

Income tax credit

Income tax credit consists of current and deferred taxes.

6. Results of operations

Consolidated Statement of Comprehensive Loss

The table below sets out the financial information of Vodafone Spain for the three financial years ended 31 March 2021, 2022 and 2023 and the three-month periods ended 30 June 2022 and 2023.

	Three months ended		Year ended		
	30 June 2023	**30 June 2022**	**31 March 2023**	**31 March 2022**	**31 March 2021**
			€'000		
	(unaudited)				
Revenue	**964,782**	**987,527**	**3,906,713**	**4,180,058**	**4,166,421**
Supplies	(260,102)	(287,331)	(1,079,518)	(1,101,587)	(1,088,421)
Corporate costs	(71,130)	(69,192)	(257,968)	(347,194)	(282,319)
Other expenses	(293,276)	(259,971)	(996,310)	(1,132,738)	(1,075,098)
Net credit losses on financial assets	(24,303)	(31,200)	(34,862)	(115,484)	(125,855)
Depreciation, amortisation and impairment losses	(410,789)	(416,782)	(1,632,634)	(1,707,815)	(1,655,230)
Operating loss	**(94,818)**	**(76,949)**	**(94,579)**	**(224,760)**	**(60,502)**
Finance income	14	26	15,685	13,053	-
Finance costs	(48,599)	(19,774)	(119,377)	(67,808)	(78,182)
Loss for the period before income tax	**(143,403)**	**(96,697)**	**(198,271)**	**(279,515)**	**(138,684)**
Income tax credit	-	-	169	30,989	17,161
Loss for the period attributable to equity holders of the parent	**(143,403)**	**(96,697)**	**(198,102)**	**(248,526)**	**(121,523)**

Consolidated statement of profit or loss for the three months ended 30 June 2023 compared to the three months ended 30 June 2022

Revenue

Revenue decreased by €22.7 million, or 2.3 per cent., from €987.5 million for the three months ended 30 June 2022, to €964.8 million for the three months ended 30 June 2023.

The following table sets forth a breakdown of revenue for the periods indicated.

	Three months ended	
	30 June 2023	30 June 2022
	€'000	
Service Revenue	870,706	897,940
Equipment revenue	77,962	66,914
Revenue from contracts with customers	**948,668**	**964,854**
Interest Revenue	3,060	6,441
Other Revenue	13,054	16,232
Total Revenue	**964,782**	**987,527**

Revenue from contracts with customers decreased by €16.2 million, or 1.7 per cent., from €964.9 million for the three months ended 30 June 2022 to €948.7 million for the three months ended 30 June 2023, due primarily to a decline in service revenue but partially offset by an increase in equipment revenue.

Service revenue decreased by €27.2 million, or 3.0 per cent., from €897.9 million for the three months ended 30 June 2022 to €870.7 million for the three months ended 30 June 2023, primarily as a result of the decrease in mobile customer revenue due to a decline in customer numbers in the Vodafone brand and the continuing trend of customer preferences toward more value brands resulting in a shift in customers from the Vodafone premium brand to the Lowi and Finetwork value brands, which have lower ARPU than the Vodafone brand; and the decline in ARPU was partially mitigated by the Vodafone brand price increases implemented in February and March 2023 following the inclusion of the CPI-linked price increase clause in customer contracts in October 2022.

Equipment revenue increased by €11.0 million, or 16.5 per cent., from €66.9 million for the three months ended 30 June 2022 to €78.0 million for the three months ended 30 June 2023, primarily as a result of an increase in sales of mobile acquisition and retention related equipment.

Other revenue decreased by €3.2 million, or 19.6 per cent., from €16.2 million for the three months ended 30 June 2022 to €13.1 million for the three months ended 30 June 2023, primarily as a result of a decrease in lease revenue due to the decline in customer numbers and Finetwork installation fees due to lower customer volumes.

Consumer Revenue (unaudited)

Consumer revenue decreased by €18 million, or 2.9 per cent., from €620 million for the three months ended 30 June 2022 to €602 million for the three months ended 30 June 2023. The decline was driven by lower revenue in the Vodafone brand, largely reflecting pressure in the premium market which was partly offset by strong growth in Vodafone Spain's lower cost offerings of Lowi and Finetwork which grew by €4.3 million and €3.0 million in the three months ended 30 June 2022 and the three months ended 30 June 2023, respectively.

Business Revenue (unaudited)

Business revenue decreased by €5 million, or 1.6 per cent., from €324 million for the three months ended 30 June 2022 to €319 million for the three months ended 30 June 2023. The decline was driven by a decline in customer revenues of €19 million which was partially offset by growth in other services such as C&H and IP-VPN.

Supplies

Supplies decreased by €27.2 million, or 9.5 per cent., from €287.3 million for the three months ended 30 June 2022, to €260.1 million for the three months ended 30 June 2023, primarily as a result of a decrease in traffic volumes driven by a lower customer base, mobile voice interconnection costs due to a decrease in the regulated mobile termination rate in January 2023 and direct costs (primarily due to a decrease in fixed line access costs and mobile other costs, which consist of regulatory fees, including recurring Spectrum fees, miscellaneous costs (primarily MVNO costs, debt collection fees, licences and litigation payments), mobile content, handset insurance and other equipment costs).

Corporate costs

Corporate costs increased by €1.9 million, or 2.8 per cent., from €69.2 million for the three months ended 30 June 2022, to €71.1 million for the three months ended 30 June 2023.

The following table sets forth a breakdown of corporate costs for the periods indicated.

	Three months ended	
	30 June 2023	**30 June 2022**
	€'000	
Wages and salaries	52,671	51,917
Social security costs	15,190	13,951
Other pension costs	1,661	1,632
Share-based payments	1,586	1,692
Restructuring	22	-
Total	**71,130**	**69,192**

The increase in corporate costs from the three months ended 30 June 2022 to the three months ended 30 June 2023 was mainly attributable to the increase in social security costs by €1.2 million, or 8.9 per cent., from €14.0 million to €15.2 million which was partly offset by the decrease in costs relating to share-based payments by €106,000, or 6.3 per cent., from €1.7 million to €1.6 million during the period under review.

Other expenses

Other expenses increased by €33.3 million, or 12.8 per cent., from €260.0 million for the three months ended 30 June 2022 to €293.3 million for the three months ended 30 June 2023, primarily as a result of an increase in acquisition and retention costs, mainly in connection with equipment costs, and higher restructuring costs associated with sales channel restructuring.

Net credit losses on financial assets

Net credit losses on financial assets decreased by €6.9 million, or 22.1 per cent., from a loss of €31.2 million for the three months ended 30 June 2022 to a loss of €24.3 million for the three months ended 30 June 2023.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses decreased by €6.0 million, or 1.4 per cent., from €416.8 million for the three months ended 30 June 2022 to €410.8 million for the three months ended 30 June 2023, primarily as a result of the reduction in capital expenditure over previous periods.

Operating loss

As a result of the above, Vodafone Spain's operating loss increased by €17.9 million, or 23.2 per cent., from €76.9 million for the three months ended 30 June 2022 to €94.8 million for the three months ended 30 June 2023.

Finance costs

Finance costs increased by €28.8 million, or 145.8 per cent., from €19.8 million for the three months ended 30 June 2022, to €48.6 million for the three months ended 30 June 2023. This was a result of an increase in interest rates relating to intercompany financing.

Loss for the period attributable to equity holders of the parent

As a result of the above, loss for the period attributable to equity holders of the parent increased by €46.7 million, or 48.3 per cent., from €96.7 million for the three months ended 30 June 2022 to €143.4 million for the three months ended 30 June 2023.

Consolidated statement of profit or loss for the year ended 31 March 2023 compared to the year ended 31 March 2022

Revenue

Total revenue decreased by €273.3 million, or 6.5 per cent., from €4,180.1 million for the year ended 31 March 2022 to €3,906.7 million for the year ended 31 March 2023.

The following table sets forth a breakdown of revenue for the periods indicated.

	31 March 2023	31 March 2022
	€'000	
Service Revenue	3,514,413	3,713,571
Equipment Revenue	307,156	368,893
Revenue from contracts with customers	**3,821,569**	**4,082,464**
Interest Revenue	26,140	24,321
Other Revenue	59,004	73,273
Total Revenue	**3,906,713**	**4,180,058**

The decrease in revenue was mainly attributable to the decrease in revenue from contracts with customers which decreased by €260.9 million, or 6.4 per cent., from €4,082.5 million for the year ended 31 March 2022 to €3,821.6 million for the year ended 31 March 2023.

Service revenue decreased by €199.2 million, or 5.4 per cent., from €3,713.6 million for the year ended 31 March 2022 to €3,514.4 million for the year ended 31 March 2023, primarily as a result of a decrease in mobile customer revenue, mainly due to a decline in customer numbers in the Vodafone brand due to a shift in customer mix from the Vodafone brand to Lowi and Finetwork, which have lower ARPU. Service revenue was also impacted by a decline in revenue from wholesale agreements primarily due to the loss in revenue due to the termination of an MVNO network contract due to the MVNO's acquisition by MásMóvil.

Equipment revenue decreased by €61.7 million, or 16.7 per cent., from €368.9 million for the year ended 31 March 2022 to €307.2 million for the year ended 31 March 2023 primarily as a result of a decrease in sales of mobile and fixed line acquisition and retention related equipment.

Other revenue decreased by €14.3 million, or 19.5 per cent., from €73.3 million for the year ended 31 March 2022 to €59.0 million for the year ended 31 March 2023, primarily as a result of a decrease in fixed line lease revenue and Finetwork installation fees.

Consumer Revenue (unaudited)

Consumer revenue decreased by €214 million, or 8.0 per cent., from €2,667 million for the year ended 31 March 2022 to €2,453 million for the year ended 31 March 2023, which was due primarily to a decline in mobile service revenue of €144 million, or 9.2 per cent., from €1,565 million for the year ended 31 March 2022 to €1,421 million for the year ended 31 March 2023 driven by a decrease in bundled services revenue of 9.3 per cent. The decline in bundled services revenue was primarily due to a decrease in customer numbers and new connections in the Vodafone brand largely reflecting general pressure in the premium market with consumers shifting preference towards more value brand offerings as was evidenced in the growth of the lower cost Lowi and Finetwork brands, which partly offset the decline in consumer contract revenue during the period.

Business Revenue (unaudited)

Business revenue decreased by €69 million, or 5.1 per cent., from €1,361 million for the year ended 31 March 2022 to €1,292 million for the year ended 31 March 2023, which was due primarily to a decline in mobile service revenue of €61 million, or 7.8 per cent., from €781 million for the year ended 31 March 2022 to €720 million for the year ended 31 March 2023 driven by a decrease in mobile bundled services revenue of 7.8 per cent. The decline in bundled services revenue was primarily due to a decrease in SoHo and SME customer numbers and new connections but was partially offset by an increase in revenue from the Corporate and Public Administration segments and a slight increase in VGE revenue from a total of €26 million for the year ended 31 March 2022 to €27 million for the year ended 31 March 2023.

The decline in Business revenue was partially offset by an increase in fixed line service revenue of €15 million, or 3.6 per cent., from €414 million for the year ended 31 March 2022 to €429 million for the year ended 31 March 2023, which was primarily a result of growth in sales of C&H and IP-VPN services and partially offset by a decline in broadband internet (both with and without PayTV) due primarily to the decrease in SOHO and SME customer numbers.

Supplies

Supplies decreased by €22.1 million, or 2.0 per cent., from €1,101.6 million for the year ended 31 March 2022 to €1,079.5 million for the year ended 31 March 2023, primarily as a result of a decrease in mobile voice interconnection costs due to lower customer traffic and a reduction in the regulated mobile termination rate in January 2023 and a decrease in direct costs mainly due to a decrease in content costs following the termination of football content for hospitality customers and partially offset by an increase in fixed line and wholesale transit costs, which reflected higher sales of C&H and IP-VPN services to Business customers.

Corporate costs

Corporate costs decreased by €89.2 million, or 25.7 per cent., from €347.2 million for the year ended 31 March 2022 to €258.0 million for the year ended 31 March 2023.

The following table sets forth a breakdown of corporate costs for the periods indicated.

	31 March 2023	**31 March 2022**
	€'000	
Wages and salaries	207,063	215,200
Social security costs	58,601	57,695
Other pension costs	6,681	6,751
Share-based payments	4,700	3,524
Restructuring costs	(19,077)	64,024
Total	**257,968**	**347,194**

The decrease in corporate costs from the year ended 31 March 2022 to the year ended 31 March 2023 was mainly attributable to the change in restructuring costs of €64.0 million related to a staff restructuring implemented in December 2021 to a gain of €19.1 million due to the release of a provision related to a staff restructuring implemented in FY19.

The decrease in corporate costs for the year ended 31 March 2022 to the year ended 31 March 2023 was also partly attributable to the decrease in wages and salaries by €8.1 million, or 3.8 per cent., from €215.2 million to €207.1 million, primarily as a result of a decrease in payroll costs due to Vodafone Spain's channel network being restructured towards franchised stores which resulted in a reduction in headcount and was partly offset by an increase in technology staff, which reflects Vodafone Spain's shift in focus towards digital sales channels and platforms.

Other expenses

Other expenses decreased by €136.4 million, or 12.0 per cent., from €1,132.7 million for the year ended 31 March 2022, to €996.3 million for the year ended 31 March 2023. This decrease was mainly a result of the decrease in operating expenditure, primarily due to a decrease in publicity, outsourced operations and office accommodation costs as part of management's cost savings initiatives and a decrease in customer retention costs.

Net credit losses on financial assets

Net credit losses on financial assets decreased by €80.6 million, or 69.8 per cent., from a loss of €115.5 million for the year ended 31 March 2022 to a loss of €34.9 million for the year ended 31 March 2023.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses decreased by €75.2 million, or 4.4 per cent., from €1,707.8 million for the year ended 31 March 2022, to €1,632.6 million for the year ended 31 March 2023, primarily as a result of a decrease in depreciation of property, plant and equipment.

Operating loss

As a result of the above, Vodafone Spain's operating loss decreased by €130.2 million, or 57.9 per cent., from €224.8 million for the year ended 31 March 2022 to €94.6 million for the year ended 31 March 2023.

Finance income

Finance income increased by €2.6 million, or 20.2 per cent., from €13.1 million for the year ended 31 March 2022 to €15.7 million for the year ended 31 March 2023, which was primarily related to the compensation received for the positive judgment of a lawsuit in relation to the VAT fees received in connection with the Vodafone ONO claim. For more information, please see paragraph 15 of Part XX *(Additional Information)* of this Prospectus.

Finance costs

Finance costs increased by €51.6 million, or 76.1 per cent., from €67.8 million for the year ended 31 March 2022 to €119.4 million for the year ended 31 March 2023, which was primarily a result of an increase in interest due on intercompany loans which funded Vodafone Spain's 5G Spectrum licence purchases in FY22.

Loss for the period before income tax

Loss for the period before income tax decreased by €81.2 million, or 29.1 per cent., from €279.5 million for the year ended 31 March 2022 to €198.3 million for the year ended 31 March 2023 for the reasons discussed above.

Income tax credit

Income tax credit decreased by €30.8 million, or 99.5 per cent., from €31.0 million for the year ended 31 March 2022, to €0.2 million for the year ended 31 March 2023. This was a result of an increase in the impact of unrecognised deferred tax assets mainly related to the deconsolidation of Vantage Towers.

Loss for the period attributable to equity holders of the parent

As a result of the above, loss for the period attributable to equity holders of the parent decreased by €50.4 million, or 20.3 per cent., from €248.5 million for the year ended 31 March 2022 to €198.1 million for the year ended 31 March 2023.

Consolidated statement of profit or loss for the year ended 31 March 2022 compared to the year ended 31 March 2021

Revenue

Total revenue increased by €13.6 million, or 0.3 per cent., from €4,166.4 million for the year ended 31 March 2021 to €4,180.1 million for the year ended 31 March 2022, which was mainly attributable to an increase in equipment revenue and other revenue and was partially offset by a decline in service revenue.

The following table sets forth a breakdown of revenue for the periods indicated.

	31 March 2022	**31 March 2021**
	€'000	
Service Revenue	3,713,571	3,788,479
Equipment Revenue	368,893	291,648
Revenue from contracts with customers	**4,082,464**	**4,080,127**
Interest Revenue	24,321	22,402
Other revenue	73,273	63,892
Total Revenue	**4,180,058**	**4,166,421**

Revenue from contracts with customers increased slightly by €2.4 million from €4,080.1 million for the year ended 31 March 2022 to €4,082.5 million for the year ended 31 March 2023, due primarily to an increase in equipment revenue but partially offset by a decline in service revenue.

Service revenue decreased by €74.9 million, or 2.0 per cent., from €3,788.5 million for the year ended 31 March 2021 to €3,713.6 million for the year ended 31 March 2022, primarily as a result of the decrease in mobile customer revenue from €2.244.6 million for the year ended 31 March 2021 to €2,122.3 million for the year ended 31 March 2022 and the general pricing pressure in the market and the shift in customer mix from the Vodafone brand to Lowi and Finetwork, which have lower ARPU. Additionally, this decrease in service revenue was also a result of a decrease in fixed line service revenue, specifically, broadband internet with PayTV, as a result of a loss of customers due to the cancellation of football rights for households, and a shift in customers from the Vodafone brand to Lowi and Finetwork which do not include PayTV services.

Equipment revenue increased by €77.2 million, or 26.5 per cent., from €291.6 million for the year ended 31 March 2021 to €368.9 million for the year ended 31 March 2022 primarily as a result of the increase in sales of mobile and fixed line acquisition and retention related equipment.

Other revenue increased by €9.4 million, or 14.7 per cent., from €63.9 million to €73.3 million, primarily as a result of an increase in fixed line lease revenue and partially offset by a decrease in mobile lease revenue.

Consumer Revenue (unaudited)

Consumer revenue decreased by €54 million, or 2.0 per cent., from €2,721 million for the year ended 31 March 2021 to €2,667 million for the year ended 31 March 2022. The decline was driven primarily by decreasing customer numbers in the Vodafone brand, largely reflecting pricing pressure in the premium market, and this was partly offset by strong growth in Vodafone Spain's value segment offerings, Lowi and Finetwork, which grew by €3.2 million and €20.2 million in FY21 and FY22, respectively.

Business Revenue (unaudited)

Business revenue increased by €33 million, or 2.5 per cent., from €1,329 million for the year ended 31 March 2021 to €1,361 million for the year ended 31 March 2022. The increase was driven by growth in other services such as C&H and IP-VPN and partially offset by a decline in SME and SoHo customer revenue driven by lower customer numbers due to pricing pressure from the value segment of the market.

Supplies

Supplies increased by €13.2 million, or 1.2 per cent., from €1,088.4 million for the year ended 31 March 2021 to €1,101.6 million for the year ended 31 March 2022, which was primarily a result of the increase in direct costs (mainly due to the increase in mobile other costs and partially offset by a decline in fixed line access costs and wholesale transit services costs) and roaming costs due to a return to more normal levels of tourism following the Covid-19 pandemic. This increase was partially offset by a decline in mobile voice interconnection costs due to lower customer traffic compared to higher traffic in FY21 due to the Covid-19 pandemic.

Corporate costs

Corporate costs increased by €64.9 million, or 23.0 per cent., from €282.3 million for the year ended 31 March 2021 to €347.2 million for the year ended 31 March 2022.

The following table sets forth a breakdown of corporate costs for the periods indicated.

	31 March 2022	**31 March 2021**
	€'000	
Wages and salaries	215,200	216,359
Social security costs	57,695	56,382
Other pension costs	6,751	6,248
Share-based payments	3,524	6,882
Restructuring costs	64,024	(3,552)
Total	**347,194**	**282,319**

The increase in corporate costs from the year ended 31 March 2021 to the year ended 31 March 2022 was mainly attributable to the increase in personnel restructuring costs from an income of €3.6 million for the year ended 31 March 2021 to a cost of €64.0 million for the year ended 31 March 2022. This was primarily a result of costs incurred relating to a staff restructuring plan.

The change in restructuring costs was partly offset by the decrease in costs relating to share-based payments by €3.4 million, or 48.8 per cent., from €6.9 million to €3.5 million during the period under review, which was primarily a result of forfeited share-based payments.

Other expenses

Other expenses increased by €57.6 million, or 5.4 per cent., from €1,075.1 million for the year ended 31 March 2021 to €1,132.7 million for the year ended 31 March 2022, which was primarily a result of the increase in operating expenditure mainly due to an increase in intercompany operating expenditure and an increase in network sharing as a result of the disposal of Vantage Towers. This increase was partially offset by decreases in network, IT rental, office accommodation and outsourced operations.

Net credit losses on financial assets

Net credit losses on financial assets decreased by €10.4 million, or 8.2 per cent., from a loss of €125.9 million for the year ended 31 March 2021 to a loss of €115.5 million for the year ended 31 March 2022.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses increased by €52.6 million, or 3.2 per cent., from €1,655.2 million for the year ended 31 March 2021, to €1,707.8 million for the year ended 31 March 2022, which was primarily a result of a one-time correction of the useful lives of certain Vodafone ONO assets, to align with the Vodafone group policy, which led to a credit of €72.0 million being recorded in depreciation during the period.

Operating loss

As a result of the above, Vodafone Spain's operating loss increased by €164.3 million from €60.5 million for the year ended 31 March 2021 to €224.8 million for the year ended 31 March 2022.

Finance income

Finance income increased from nil for the year ended 31 March 2021 to €13.1 million for the year ended 31 March 2022, which was primarily a result of interest received related to the recovery of excess licence and spectrum fees, which were derecognised as a result of a Spanish Supreme Court ruling.

Finance costs

Finance costs decreased by €10.4 million, or 13.3 per cent., from €78.2 million for the year ended 31 March 2021 to €67.8 million for the year ended 31 March 2022. This was primarily a result of the decrease in interest on intercompany loans partially offset by an increase in interest due on lease liabilities.

Loss for the period before income tax

Loss for the period before income tax almost doubled by €140.8 million, or 101.5 per cent., from €138.7 million for the year ended 31 March 2021 to €279.5 million for the year ended 31 March 2022 for the reasons discussed above.

Income tax credit

Income tax credit increased by €13.8 million, or 80.6 per cent., from €17.2 million for the year ended 31 March 2021 to €31.0 million for the year ended 31 March 2022, which was primarily a result of a €11.8 million deferred tax credit relating to various tax disputes and to other items such as IFRS 15 components and amortisation.

Loss for the period attributable to equity holders of the parent

As a result of the above, loss for the period attributable to equity holders of the parent almost doubled by €127.0 million, or 104.5 per cent., from €121.5 million for the year ended 31 March 2021 to €248.5 million for the year ended 31 March 2022.

7. **Financial Conditio**n

7.1 ***Liquidity and capital resources***

Vodafone Spain's principal liquidity needs are to fund the day-to-day requirements of its operations. The Group finances its operations primarily through cash generated from operating activities, and cash is held in Euros.

7.2 ***Cash flows***

The table below sets out the financial information of Vodafone Spain for the three financial years ended 31

March 2021, 2022 and 2023 and the three-month periods ended 30 June 2022 and 2023.

Consolidated Statement of Cash Flows

	Three months ended		Year ended		
	30 June 2023	**30 June 2022**	**31 March 2023**	**31 March 2022**	**31 March 2021**
			€'000		
	(unaudited)				
Cash inflows from operating activities	**56,924**	**101,285**	**1,359,284**	**1,386,530**	**1,550,056**
Cash inflows/(outflows) from investing activities	**56,879**	**(72,877)**	**(1,017,361)**	**(1,212,485)**	**(1,056,736)**
Purchase of intangible assets	(94,210)	(89,545)	(360,894)	(818,872)	(429,656)
Purchase of property, plant and equipment	(133,432)	(163,472)	(537,845)	(609,707)	(710,517)
Purchase of investments	(502)	-	(1,130)	(1,698)	(2,718)
Disposal of property, plant and equipment and intangible assets	26	3,581	4,172	374	1,286
Disposal of investments	95	-	2,587	1,984	1,552
Net amounts (paid)/received on intercompany loan receivables	284,902	176,559	(124,251)	215,434	83,317
Cash outflows from financing activities	**(113,151)**	**(30,958)**	**(342,086)**	**(176,022)**	**(493,173)**
Repayment of borrowings	-	-	(8,549)	(8,353)	(8,161)
Repayment of leases	(98,487)	(119,992)	(483,220)	(515,629)	(442,132)
Contribution from parent company	-	-	-	-	3,500,000
Settlement of share-based payment by parent company	(2,998)	(5,960)	(6,976)	(7,047)	(5,948)
Net amounts received/(paid) on intercompany loans	(11,666)	94,994	156,659	355,007	(3,536,932)
Other cash flows from financing activities	-	-	-	-	-
Net cash inflow/(outflow)	**652**	**(2,550)**	**(163)**	**(1,977)**	**147**
Cash and cash equivalents at beginning of the financial year/period	4,479	4,642	**4,642**	**6,619**	**6,472**
Cash and cash equivalents at the end of the financial year/period	**5,131**	**2,092**	**4,479**	**4,642**	**6,619**

Three months ended 30 June 2023 as compared to the three months ended 30 June 2022

Cash inflows/(outflows) from operating activities

Vodafone Spain generated cash inflows from operating activities of €56.9 million for the three months ended 30 June 2023 compared to €101.3 million for the three months ended 30 June 2022, representing a 43.8 per cent. decrease of €44.4 million. This decrease was primarily due to the higher loss for the period for the three months ended 30 June 2023 due primarily to the decrease in mobile customer revenue and the increase in network, IT rental and maintenance costs.

Cash inflows/(outflows) from investing activities

Vodafone Spain had cash inflows from investing activities of €56.9 million for the three months ended 30 June 2023, compared to an outflow of €72.9 million for the three months ended 30 June 2022.

The change in cash inflows/(outflows) from investing activities from the three months ended 30 June 2022 to the three months ended 30 June 2023 was mainly attributable to the increase in net amounts received on intercompany loan receivables by €108.3 million, or 61.4 per cent., from €176.6 million to €284.9 million. The change was also partly attributable to the decrease in purchase of property, plant, and equipment by €30.0 million, or 18.4 per cent., from €163.5 million for the three months ended 30 June 2022 to €133.4 million for the three months ended 30 June 2023.

Cash inflows/(outflows) from financing activities

Cash outflows from financing activities increased by €82.2 million from €31.0 million for the three months ended 30 June 2022 to €113.2 million for the three months ended 30 June 2023.

The increase in cash outflows from financing activities for the three months ended 30 June 2022 to the three months ended 30 June 2023 was mainly attributable to the change to net amounts paid on intercompany loans of €11.7 million for the three months ended 30 June 2023 compared to net amounts received on intercompany loans of €95.0 million for the three months ended 30 June 2022. This change was partly offset by the decrease in repayment of leases by €21.5 million, or 17.9 per cent., from €120.0 million for the three months ended 30 June 2022 to an outflow of €98.5 million for the three months ended 30 June 2023.

Year ended 31 March 2021 compared with year ended 31 March 2022 and compared with year ended 31 March 2023

Cash inflows from operating activities

Vodafone Spain generated cash inflows from operating activities of €1,359.3 million for the year ended 31 March 2023 compared to €1,386.5 million for the year ended 31 March 2022, representing a 2.0 per cent. decrease of €27.2 million. This was the case even though Vodafone Spain realised a higher operating loss for the year ended 31 March 2022 due primarily to a decline in depreciation, amortisation and impairment losses, an increase in interest paid, a decrease in trade and other payables and an increase in trade and other receivables in the year ended 31 March 2023.

The business generated cash inflows from operating activities of €1,386.5 million for the year ended 31 March 2022 compared to €1,550.1 million for the year ended 31 March 2021, representing 10.5 per cent. decrease of €163.5 million. This was due primarily to a higher loss for the financial year due primarily due to the increase in corporate costs and other expenses for the year ended 31 March 2022.

Cash outflows from investing activities

Cash outflows from investing activities decreased by €195.1 million, or 16.1 per cent., from €1,212.5 million for the year ended 31 March 2022, to €1,017.4 million for the year ended 31 March 2023.

The decrease in cash outflows from investing activities from the year ended 31 March 2022 to the year ended 31 March 2023 was mainly attributable to the decrease in purchase of intangible assets by €458 million, or 55.9 per cent., from €818.9 million to €360.9 million, and was also partly attributable to the decrease in purchase of property, plant, and equipment by €71.9 million, or 11.8 per cent., from an outflow of €609.7 million to an outflow of €537.8 million during the period under review. The decrease in was partly offset by the change to net amounts paid on intercompany loan receivables of €124.3 million for the year ended 31 March 2023 compared to net amounts received on intercompany loan receivables of €215.4 million for the year ended 31 March 2022.

Cash outflows from investing activities increased by €155.7 million, or 14.7 per cent., from €1,056.7 million for the year ended 31 March 2021 to €1,212.5 million for the year ended 31 March 2022.

The increase in cash outflows from investing activities from the year ended 31 March 2021 to the year ended 31 March 2022 was mainly attributable to the increase in purchase of intangible assets by €389.2 million, or 90.6 per cent., from an outflow of €429.7 million to an outflow of €818.9 million, which due primarily to Spectrum licence fees relating to the expansion of 5G services. This was partly offset by the increase in net amounts received on intercompany loan receivables by €132.1 million, or 158.6 per cent., from €83.3 million to €215.4 million and the decrease in purchase of property, plant, and equipment by €100.8 million, 14.2 per cent. from €710.5 million for the year ended 31 March 2021 to €609.7 million for the year ended 31 March 2022.

Cash inflows/(outflows) from financing activities

Cash outflows from financing activities increased by €166.1 million, or 94.3 per cent., from €176 million for the year ended 31 March 2022 to €342.1 million for the year ended 31 March 2023.

The increase in cash outflows from financing activities from the year ended 31 March 2022 to the year ended 31 March 2023 was mainly attributable to the decrease in net amounts received on intercompany loans by €198.3 million, or 55.9 per cent., from €355 million to €156.7 million.

Cash outflows from financing activities decreased by €317.2 million, or 64.3 per cent., from €493.2 million for the year ended 31 March 2021 to €176 million for the year ended 31 March 2022.

The decrease in cash outflows from financing activities from the year ended 31 March 2021 to the year ended 31 March 2022 was mainly attributable to net amounts received on intercompany loans of €355.0 million for the year ended 31 March 2022. This was partly offset by the increase in repayment of leases by €73.5 million, 16.6 per cent. from €442.1 million to €515.6 million during the period under review.

7.3 ***Capital Expenditure***

Vodafone Spain's capital expenditure consists primarily of maintenance capital expenditure, expansion capital expenditures and sales commissions. Maintenance capital expenditure consists primarily of (i) network repairs, including both capitalised personnel and maintenance contract costs and expansion capital expenditure, and certain licences; and (ii) a recurring level of transformational investments consisting mainly of (a) Vodafone's digital ecosystem (e.g. app, market place, website, etc.), both in terms of the IT systems required to sustain these platforms as well as the associated capitalised personnel; and (b) incidents handling through online channels. Expansion capital expenditure relates primarily to investment in (i) customer premises equipment; (ii) network coverage; and (iii) expansionary transformation linked to network and systems upgrades.

Vodafone Spain's capital expenditure increased from €1,136.2 million for the year ended 31 March 2021 to €1,397.7 million for the year ended 31 March 2022 which was due to a €350 million Spectrum concession fee for the expansion of 5G services, and similar expenditure is not expected in the foreseeable future as there are no current plans for further 5G auctions. Capital expenditure then significantly reduced to €883.1 million for the year ended 31 March 2023 driven primarily by reduction in both maintenance and expansion capital expenditure. The reduction in maintenance capital expenditure was due primarily to fewer infrastructure assets being held since Vantage Tower's carve-out from the business in FY20 and the network sharing (jumping) arrangement with Orange. The reduction in expansion capital expenditure was due primarily to (i) a decline in customer premises equipment in line with the business' shift towards customer "self-install"; (ii) optimisation of capacity efficiency with oversubscription policies to maximise asset use; (iii) the re-phasing of certain long-term projects based on the business' requirements and (iv) additional capital expenditure spending restrictions.

7.4 *Financing Arrangements and Financial Liabilities*

Vodafone Spain exercises judgement to determine whether to recognise provisions and the exposures to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation. Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise.

As at 31 March 2023, Vodafone Spain had total financial liabilities of €5,974.0 million

7.5 *Off-Balance Sheet Arrangements*

As of 31 March 2023, Vodafone Spain had off-balance sheet bank guarantees with a total value of €123 million: Vodafone España: €90.1 million; Vodafone ONO: €32.3 million; Vodafone Energía €0.2 million. These guarantees were generally related to contracts with Public Administrations for their day-to-day business to cover potential damages on public land or breach of contracts, but they form part of the normal business-operating activities and do not have any associated restricted cash.

8. Critical Accounting Policies and Estimates

The preparation of Vodafone Spain's consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and management judgments concerning the future. These are evaluated regularly and based on historical experience and other factors, including expectation of future events and, where applicable, the opinion of experts. The principal areas where estimates and judgments are made, including revenue recognition, are set out in Note 1.1 "Critical accounting judgements and key sources of estimation uncertainty" of Vodafone Spain's consolidated financial statements in Section B of Part XIII (*Historical Financial Information*) of this Prospectus.

As set out further in Note 1.1.4 "Finite lived intangible assets" of Vodafone Spain's consolidated financial statements in Section B of Part XIII (*Historical Financial Information*) of this Prospectus, commissions paid to staff and agents for acquiring new customers and renewals of existing customer on behalf of Vodafone Spain are treated as customer-related assets and are capitalised whenever they meet the criteria set out in the note referred to above. The amortisation of customer-related intangible assets is recognised in Vodafone Spain's comprehensive income statement as part of depreciation, amortisation and impairment losses.

9. Capital and Financial Risk Management

Vodafone Spain's activities expose it to various financial risks: market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk. Vodafone Spain's financial risk management policies seek to reduce its exposure to any future disruption to financial markets, including any future impacts from COVID or other macroeconomic events. Vodafone Spain has policies in place to control the exposure to market, credit and liquidity risks.

9.1 ***Market risk***

Exchange rate risk

Exchange rate risk arising from financial assets or liabilities of a monetary nature and denominated in a currency other than Vodafone Spain's functional currency.

As of 31 March 2023, 2022 and 2021, there were no significant financial liabilities denominated in a currency other than the Euro and no derivative financial instruments contracted by Vodafone Spain.

Cashflow interest rate risk

Vodafone Spain's interest rate risk arises from the borrowed funds. Borrowings issued at floating rates expose Vodafone Spain to cashflow interest rate risks.

As of 31 March 2023, Vodafone Spain's exposure to cash flow interest rate risk was mainly due to the debt with Vodafone Luxembourg, S.à.r.l., a Vodafone Group undertaking, amounting to €3,196,405,000 (31 March 2022: €3,039,659,000; 31 March 2021: €2,684,649,000 with Vodafone Luxembourg S.à.r.l) which accrues a Euribor-indexed floating interest rate plus a margin. Management of cash flow interest rate risk is centralised in the Vodafone Group. It also includes third party debt for the concession for the private use of radio spectrum granted in the year ended 31 March 2019, in the amount of €146,499,000 as of 31 March 2023 (31 March 2022: €155,198,000; 31 March 2021: €163,748,000) which accrues a fixed interest rate.

9.2 ***Credit risk***

Vodafone Spain's main financial assets are balances of cash and cash equivalents, trade and other accounts receivable, which represent Vodafone Spain's greatest exposure to credit risk in relation to financial assets.

Vodafone Spain's credit risk is mainly attributable to its trade accounts payable. Vodafone Spain's customers consist of retail businesses, corporations and other operators each of which have different risk profiles.

The credit risk arises because Vodafone Spain might not recover the carrying amount of the financial assets or recover them on time. The carrying amount of the accounts receivable and other receivables is approximately the same as their fair value.

The amounts shown on the balance sheet are net of allowances for uncollectible amounts. It is Vodafone Spain's policy to regularly and systematically assess the risk of insolvency of its customers' receivables in order to record the appropriate provisions in the statement of comprehensive income and assess the appropriateness of correcting the level of credit allowed to customers (in this regard, Vodafone Spain has in place restrictive credit scoring procedures prior to the opening of new accounts).

With respect to the credit risk arising from cash and cash equivalents, Vodafone Spain only works with reputable financial institutions that have a high credit rating.

9.3 ***Liquidity risk***

For the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, Vodafone Spain has the cash and cash equivalents disclosed in its balance sheet, together with the credit and financing facilities granted by the Vodafone Group.

Vodafone Spain maintains cash and cash equivalents which at 31 March 2023 amounted to cash €4.5 million (2022: €4.6 million, 2021: €6.6 million) and undrawn committed facilities with different financial institutions of €35.5 million (2022: €35.5 million, 2021: €35.5 million). Vodafone Spain manages liquidity risk on non-current borrowings by maintaining a varied maturity profile with a cap on the level of debt maturity in any one calendar year, therefore minimising refinancing risk. Non-current borrowings mature between one and more than five years.

PART XVI. UNAUDITED PRO-FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

A. **Accountant's Report in respect of the Unaudited Pro Forma Financial Information of the Enlarged Group**

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Private and confidential
The Directors
Zegona Communications plc
8 Sackville Street
London, W1S 3DG

13 November 2023

Dear Directors

Zegona Communications plc

We report on the pro forma statement of net assets (the 'Pro forma financial information') set out in Section B of Part XVI of the prospectus dated 13 November 2023. This report is required by Section 3 of Annex 20 of the PR Regulation of the UK version of Commission Delegated Regulation (EU) 2019/980 (the 'PR Regulation') and is given for the purpose of complying with that section and for no other purpose.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Zegona Communications plc.

Responsibilities

It is the responsibility of the directors of Zegona Communications plc to prepare the Pro forma financial information in accordance with 18.4.1 of Annex 1 of the PR Regulation of the PR Regulation.

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 of the PR Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Item 1.3 of Annex 1 of the PR Regulation, consenting to its inclusion in the prospectus.

Basis of Preparation

The pro forma financial information has been prepared on the basis described in notes 1 to 6 of Section B of Part XVI, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by Zegona Communications plc in preparing the financial statements for the period ended 31 December 2022.

Basis of Opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom (the 'FRC'). We are independent, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements of the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Zegona Communications plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Zegona Communications plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R (2)(f) we are responsible for this report as part of the prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report makes no omission likely to affect its import. This declaration is included in the prospectus in compliance with Item 1.2 of Annex 1 of the PR Regulation.

Yours faithfully

KPMG LLP

KPMG LLP

B. **Unaudited Pro Forma Financial Information of the Enlarged Group**

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect of the Acquisition on the net assets of Zegona as at 30 June 2023 as if the Acquisition had taken place on 30 June 2023 (the Unaudited Pro Forma Financial Information).

The Unaudited Pro Forma Financial Information has been prepared on a consistent basis with the accounting policies and presentation adopted by Zegona in relation to the audited consolidated financial information for the year ended 31 December 2022 on the basis of notes set out below.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position.

The Unaudited Pro Forma Financial Information does not purport to represent what Zegona's or the Enlarged Group's financial position would have been if the Acquisition had actually taken place on the date indicated nor does it purport to represent Zegona's or the Enlarged Group's financial position at any future date.

The Unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of section 434 of the Companies Act. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part XVI (*Unaudited Pro-Forma Financial Information of the Enlarged Group)*.

KPMG's report on the Unaudited Pro Forma Financial Information is set out in Section A of this Part XVI (*Unaudited Pro-Forma Financial Information of the Enlarged Group)*.

Pro Forma Balance Sheet

€000	Zegona As at 30 June 2023	Vodafone Spain As at 30 June 2023	Adjustments: Net proceeds of the Offer	Adjustments: Debt financing adjustments	Adjustments: Acquisition adjustments	Unaudited pro forma enlarged group
	Note 1	Note 2	Note 3	Note 4	Note 5	
Assets						
Non-current assets						
Other intangible assets	-	1,199,241	-	-	1,192,489	2,391,730
Property, plant and equipment	7	4,561,125	-	-	-	4,561,132
Other investments		2,320	-	-	-	2,320
Trade and other receivables	5,121	164,127	-	-	-	169,248
	5,128	**5,926,813**	**-**	**-**	**1,192,489**	**7,124,430**
Current assets						
Inventory	-	51,159	-	-	-	51,159
Taxation recoverable	-	287	-	-	-	287
Trade and other receivables	49	761,519	-	-	(81,433)	680,135
Cash and cash equivalents	4,307	5,131	1,187,822	3,826,000	(5,005,131)	**18,129**
	4,356	**818,096**	**1,187,822**	**3,826,000**	**(5,086,564)**	**749,710**
Total assets	**9,484**	**6,744,909**	**1,187,822**	**3,826,000**	**(3,894,075)**	**7,874,140**
Liabilities						
Current liabilities						
Borrowings	-	426,832	-	-	-	426,832
Provisions	-	24,795	-	-	-	24,795
Trade and other payables	327	1,147,240	-	-	13,386	1,160,953
	327	**1,598,867**	**-**	**-**	**13,386**	**1,612,580**
Non-current liabilities						
Borrowings	-	4,247,340	-	3,826,000	(3,201,421)	4,871,919
Other non-current financial liabilities	-	-	900,000	-	-	900,000
Deferred tax liabilities	-	3,240	-	-	-	3,240
Provisions	-	156,669	-	-	-	156,669
Trade and other payables	-	46,139	-	-	-	46,139
	-	**4,453,388**	**900,000**	**3,826,000**	**(3,201,421)**	**5,977,967**
Net assets	**9,157**	**692,654**	**287,822**	**-**	**(706,040)**	**283,593**

Notes

(1) The net assets of Zegona as at 30 June 2023 have been extracted, without material adjustment, from the Zegona unaudited interim financial statements for the six months ended 30 June 2023 incorporated by reference into this document.

(2) The net assets of Vodafone Spain as at 30 June 2023 have been extracted, without material adjustment from the historical financial information of Vodafone Spain as at 30 June 2023, as set out in Part A of Part XIII (Historical Financial Information) of this document.

(3) The Company has raised £262 million (€300 million at the Exchange Rate on 9 November 2023) in gross proceeds through the issue of New Zegona Shares pursuant to the Placing at a price per New Zegona Share of 150 pence, which is subject to commissions and other estimated fees and expenses of £11 million (€13 million at the Exchange Rate on 9 November 2023), resulting in total net proceeds for the Company from the Placing of £251 million (€288 million at the Exchange Rate on 9 November

2023). The net proceeds will be used to partially fund the Acquisition, fees and expenses incurred in connection with the Transaction and for general corporate purposes.

As described in Section 7.2 of Part VIII. (*Information about the Transaction),* EJLSHM Funding Limited has agreed, pursuant to the Conditional Subscription and Relationship Agreement, to subscribe for €900 million of New Zegona Shares at the Offer Price in the Conditional Subscription which forms part of the Offer. Assuming the Placing completes, the amount of the gross proceeds of the Conditional Subscription will be €900 million.

Zegona expects to recognise the gross proceeds of the Conditional Subscription as a financial liability in the Enlarged Group financial statements.

The Company also intends to raise gross proceeds of up to €8 million through a separate offering of New Zegona Shares at the Offer Price via the PrimaryBid Offer. The proceeds of the PrimaryBid Offer have not been reflected in the pro forma financial information.

(4) This adjustment relates to the drawdown of an aggregate of €3.9 billion from two facilities, being €3.4 billion from the Corporate Bridge Facility and €500 million from the Term Loan A Facility. The increase in Borrowings represents the drawdown of €3.8 billion net of arrangement fees of €74 million. The arrangement fees have been included as a deduction from Borrowings and will be amortised over the life of the facilities.

(5) The acquisition adjustments reflect the following:
The Unaudited Pro Forma Financial Information has been prepared on the basis that the Acquisition of Vodafone Spain by Zegona will be treated as a business combination in accordance with IFRS 3 Business Combinations. Zegona expects to undertake a fair value exercise following completion of the Acquisition and no account has been taken of any fair value adjustments to the acquired assets and liabilities of Vodafone Spain in the Unaudited Pro Forma Financial Information or any fair value adjustment to the amount raised in the Conditional Subscription. For the purposes of the Unaudited Pro Forma Financial Information the excess of the purchase consideration over the carrying amount of net assets acquired has been attributed to goodwill. The calculation of the total consideration and adjustment to goodwill is set out below.

	€000	**€000**
Purchase price	5,000,000	
Vodafone Spain cash balance	5,131	
Settlement of borrowings owed to related parties	(3,201,421)	
Settlement of receivables from related parties	81,433	
Adjustment for net working capital [A]	-	
Total consideration		1,885,143
Less carrying value of net assets acquired as at 30 June 2023:		
Vodafone Spain net assets	692,654	
Pro forma net assets acquired		
Goodwill on acquisition		1,192,489

Footnotes:
[A] An adjustment for net working capital at the completion date compared to the target net working capital in the Acquisition Agreement will only be quantified when completion accounts have been prepared. For the purposes of the pro forma statement of net assets it has been assumed that the actual net working capital at Completion is the same as the target working capital.

Other transaction costs and expenses related to the Acquisition are estimated to be €14 million (not including arrangement fees relating to the debt financing – see Note 4 above).

(6) In preparing the unaudited pro forma statement of net assets of the Enlarged Group, no account has been taken of the trading activity or other transactions of Zegona or Vodafone Spain since 30 June 2023.

PART XVII. CAPITALISATION AND INDEBTEDNESS

The tables below set out the capitalisation and indebtedness of the Zegona Group and Vodafone Spain, prepared under IFRS using policies which are consistent with those used in preparing the Zegona Group and Vodafone Spain's Historical Financial Information of this Prospectus.

The information below should be read together with the Operating and Financial Review and Historical Financial Information sections of this Prospectus.

1. *Zegona Group*

The tables below set out the capitalisation and indebtedness of the Zegona Group as at 31 August 2023 which has been extracted without material adjustment from unaudited management information and accounting books and records as at 31 August 2023.

The following tables do not reflect the significant impact that the Transaction will have on the Zegona Group or developments subsequent to 31 August 2023.

Statement of capitalisation

	At 31 August 2023
	€'000
	(unaudited)
Total current debt (including current portion of non-current debt)	-
Guaranteed	-
Secured	-
Unguaranteed/secured	-
Total non-current debt (excluding current portion of non-current debt)	-
Guaranteed	-
Secured	-
Unguaranteed/secured	-
Shareholder equity (excluding retained earnings)	**(510)**
Share capital	310
Share premium	3,048
Other reserves	(3,868)
Total capitalisation	**(510)**

Notes:

1. Shareholders' equity does not include the profit and loss account reserve.

2. This statement of indebtedness has been prepared under IFRS using policies which are consistent with those used in the preparing the Zegona Group's financial statements for the year ended 31 December 2022.

3. The information is based on unaudited management accounts information.

Statement of liquidity / (indebtedness)

	At 31 August 2023
	€'000
	(unaudited)
A Cash and cash equivalents	3,821
B Other current financial assets	-
C Liquidity (A + B)	**3,821**
D Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	-
E Current portion of non-current financial debt	-
F Current financial indebtedness (D + E)	-
G **Net current financial indebtedness/liquidity (F - C)**	**(3,821)**
H Non-current financial debt (excluding current portion and debt instruments)	-
I Debt instruments	-
J Non-current trade and other payables	-
K Non-current financial indebtedness (H + I + J)	-
L Total financial indebtedness / (liquidity) (G + K)	**(3,821)**

As of 31 August 2023, the Zegona Group did not have indirect or contingent indebtedness.

Since 31 August 2023, there have been no material changes in the capitalisation and indebtedness of the

Zegona Group. The above tables do not reflect the impact of the proposed Acquisition or the financing arrangements contemplated by the Acquisition Agreement in connection with the funding of the proposed Acquisition, which are described in Part XVI (*Unaudited Pro Forma Financial Information on the Enlarged Group*) of this Prospectus.

2. *Vodafone Spain*

The tables below set out the capitalisation and indebtedness of Vodafone Spain as at 31 August 2023, which has been extracted without material adjustment from unaudited management information and accounting books and records as at 31 August 2023.

The following tables do not reflect the significant impact that the Transaction will have on Vodafone Spain or developments subsequent to 31 August 2023.

Statement of capitalisation[(1)]

	At 31 August 2023
	€'000
	(unaudited)
Total current debt (including current portion of non-current debt)	**417,537**
Guaranteed	-
Secured[(2)]	402,392
Unguaranteed/secured[(3)]	15,145
Total non-current debt (excluding current portion of non-current debt)	**4,182,614**
Guaranteed	-
Secured	997,965
Unguaranteed/secured[(3)]	3,184,649
Shareholder equity (excluding retained earnings)[(4)]	**918,402**
Share capital	903,194
Share premium	-
other reserves[(5)]	15,208
Total capitalisation	**5,518,553**

Notes:

(1) This statement of capitalisation has been prepared in accordance with IFRS and using policies which are consistent with those used in preparing Vodafone Spain's Historical Financial Information set out in Part XIII (*Historical Financial Information*) of this Prospectus.

(2) Secured current debt consists of Vodafone Spain's lease liabilities (€389,995 thousand) and licence and spectrum fees payable (€12,397 thousand). Secured non-current debt consists of Vodafone Spain's lease liabilities (€851,516 thousand) and licence and spectrum fees payable (€146,449 thousand).

(3) Unguaranteed/unsecured current debt (including current portion of non-current debt) consists of interest payable in connection with Vodafone Spain's intercompany loan payable to Vodafone Luxembourg S.à.r.l. (€15,145 thousand). Unguaranteed/unsecured non-current debt (excluding current portion of non-current debt) consists of Vodafone Spain's intercompany loan payable to Vodafone Luxembourg S.à.r.l (€3,184,649 thousand).

(4) Shareholder equity does not include Vodafone Spain's accumulated (losses) / profit.

(5) Other reserves comprises Vodafone Spain's share-based payment reserve only.

Statement of indebtedness[1]

	At 31 August 2023
	€'000
	(unaudited)
A Cash and cash equivalents	4,754
B Other current financial assets[2]	64,723
C Liquidity (A + B)	**69,477**
D Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	-
E Current portion of non-current financial debt[3]	417,537
F Current financial indebtedness (D + E)	**417,537**
G Net current financial indebtedness (F - C)	**348,060**
H Non-current financial debt (excluding current portion and debt instruments)[4]	4,182,614
I Debt instruments	-
J Non-current trade and other payables	-
K Non-current financial indebtedness (H + I + J)	**4,182,614**
L **Total financial indebtedness (G + K)**	**4,530,674**

Notes:

(1) This statement of indebtedness has been prepared in accordance with IFRS and using policies which are consistent with those used in preparing Vodafone Spain's Historical Financial Information set out in Part XIII (*Historical Financial Information*) of this Prospectus.

(2) Other current financial assets consists of amounts owed by Vodafone Group subsidiaries relating to cash management activities.

(3) Current portion of non-current financial debt consists of Vodafone Spain's lease liabilities (€389,995 thousand), interest payable in connection with Vodafone Spain's intercompany loan with Vodafone Luxembourg S.à.r.l (€15,145 thousand) and licence and spectrum fees payable (€12,397 thousand).

(4) Non-current financial debt (excluding current portion and debt instruments) consists of Vodafone Spain's lease liabilities (€851,516 thousand), Vodafone Spain's intercompany loan payable to Vodafone Luxembourg S.à.r.l (€3,184,649 thousand) and licence and spectrum fees payable (€146,449 thousand).

Vodafone Spain has capital commitments relating to contracts for future capital expenditure that are not provided for in Vodafone Spain's Historical Financial Information, set out in Part XIII (*Historical Financial Information*) of this Prospectus. A commitment is a contractual obligation to make a payment in the future, mainly in relation to agreements to buy assets such as mobile devices, network infrastructure and IT systems and leases that have not commenced. These amounts are not recorded in the consolidated statement of financial position since the goods or services are not yet received from the supplier. Vodafone Spain's capital commitments (€167,690 thousand at 31 August 2023, the minimum amount Vodafone Spain is committed to pay) includes contracts placed for property, plant and equipment and intangible assets.

Since 31 August 2023, there have been no material changes in the capitalisation and indebtedness of Vodafone Spain.

PART XVIII. TAXATION

1. **United Kingdom Taxation**

The following statements are intended to apply only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of New Zegona Shares. They are based on current UK tax legislation and what is understood to be current published practice of HM Revenue & Customs ("**HMRC**") (which might not be binding on HMRC) as at the date of this Prospectus (both of which may be subject to change at any time, possibly with retrospective effect) and they do not take account of any future changes in UK tax legislation or HMRC published practice.

The statements below apply only (except in the case of paragraphs 18.1.1(c), 18.1.2(c) insofar as express reference is made to the treatment of non-UK residents) to Zegona Shareholders:

- who are resident (and, in the case of individuals, domiciled or deemed domiciled) in (and only in) the UK for UK tax purposes and references in the following statements to 'UK resident individual Zegona Shareholders' and 'UK resident corporate Zegona Shareholders' should be read accordingly;
- who are absolute beneficial owners of both their Zegona Shares and any dividends paid on them;
- who hold their Zegona Shares as an investment (otherwise than through an individual savings account or a pension arrangement); and
- in the case of individuals, to whom "split year" treatment does not apply and who are neither Scottish taxpayers nor Welsh taxpayers.

The tax position of certain categories of Zegona Shareholders (including (but not limited to): those carrying on certain financial activities, banks, traders, brokers, dealers in securities, insurance companies, collective investment schemes, pension schemes, those subject to specific tax regimes or benefiting from certain reliefs or exemptions, those who hold their Zegona Shares in an individual savings account or pension arrangement, those connected with the Company or the Zegona Group (including those for whom the Zegona Shares are employment related securities), those who are exempt from UK taxation, those who have (or are deemed to have) acquired their Zegona Shares by virtue of an office or employment or those who have acquired their Zegona Shares other than for bona fide commercial reasons) is not considered.

The statements set out in the paragraphs below do not constitute tax or legal advice. The statements summarise the current position and are intended as a general guide only. Prospective Zegona Shareholders and equity investors who are in any doubt as to their tax position, or who are resident in or who may be subject to tax in a jurisdiction other than the UK, are strongly recommended to consult their own professional advisers immediately. Prospective Zegona Shareholders and equity investors should be aware that the tax legislation of any jurisdiction where a Zegona Shareholder is resident or otherwise subject to taxation may also have an impact on the tax consequences of an investment in the Zegona Shares, or of acquiring, holding or disposing of Zegona Shares, including in respect of any income received from the Zegona Shares.

1.1 *Taxation of dividends*

The Company is not required to withhold UK tax from the dividend payments it makes.

(a) UK resident individual Zegona Shareholders

Dividends received by a UK resident individual Zegona Shareholder from the Company will generally be subject to tax as dividend income. Under current UK tax rules specific rates of tax apply to dividend income.

An amount (the "**Dividend Allowance**", which is £1,000 for the tax year ending 5 April 2024) of dividend income received by a UK resident individual Zegona Shareholder in a tax year (taking into account dividends received from the Company and any other dividend income received by a Zegona Shareholder) will be taxed at a nil rate (such that no income tax will be payable in respect of such amounts). For these purposes "dividend income" includes without limitation UK and non-UK source dividends and certain other distributions in respect of shares.

If and to the extent that (taking into account dividends received from the Company and any other dividend income received by the Zegona Shareholder) the dividend income received by a UK resident individual Zegona Shareholder in a tax year exceeds the Dividend Allowance (the amount of such excess being referred to as the "**Taxable Amount**") the Taxable Amount will be subject to income tax at the rates determined by the tax rate band or bands that it falls within.

If and to the extent that the Taxable Amount falls at or below the basic rate limit, the Zegona Shareholder will be subject to income tax on it at the dividend basic rate of 8.75 per cent. If and to the extent that the Taxable Amount falls above the basic rate limit but at or below the higher rate limit, the Zegona Shareholder will be subject to income tax on it at the dividend higher rate of 33.75 per cent. If and to the extent that the Taxable Amount falls within the additional rate band, the Zegona Shareholder will be subject to income tax on it at the dividend additional rate of 39.35 per cent.

For the purposes of determining which of the taxable bands dividend income falls into, the Zegona Shareholder's total income (including from dividends and other sources) is taken into account and dividend income is treated as the highest part of a Zegona Shareholder's income. In addition, dividends within the Dividend Allowance which would (if there was no Dividend Allowance) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

(b) UK resident corporate Zegona Shareholders

Zegona Shareholders within the charge to UK corporation tax will be subject to corporation tax on dividends paid by the Company, unless (subject to special rules for Zegona Shareholders that are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009) the dividend falls within one of the exempt classes set out in Part 9A and certain other conditions are met. Each Zegona Shareholder's position will depend on its own individual circumstances, and the exemptions are not comprehensive and are subject to anti-avoidance rules, though it would generally be expected that the dividends paid by the Company would fall within an exempt class. Zegona Shareholders that are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 should also be entitled to an exemption under Chapter 2 of Part 9A of the Corporation Tax Act 2009 provided that the conditions set out therein are satisfied.

(c) Non-UK resident Zegona Shareholders

Non-UK resident Zegona Shareholders should not generally be subject to UK tax on dividends paid by the Company (whether via withholding or direct assessment), unless they are carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Zegona Shareholder, a permanent establishment) in connection with which the Zegona Shares are used, held or acquired. Non-UK resident Zegona Shareholders may be subject to foreign taxation on dividend income under local law. Such Zegona Shareholders should consult their own advisers concerning their tax liabilities on dividends received.

1.2 *Taxation of disposals*

(a) UK resident individual Zegona Shareholders

A disposal of Zegona Shares by a UK resident individual Zegona Shareholder may, depending upon the Zegona Shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. In the case of individual Zegona Shareholders, an annual tax-free allowance (the "**Annual Exempt Amount**", which is £6,000 for the tax year ending 5 April 2024) is available. Any chargeable gain arising from a disposal of Zegona Shares which is in excess of the Annual Exempt Amount (or, where the individual has other chargeable gains in the tax year concerned, the unused remainder of the Annual Exempt Amount) and which, when aggregated with that Zegona Shareholder's taxable income for the relevant tax year, falls within the basic rate band will be subject to capital gains tax at a rate of 10 per cent. Any amount of such gains which, when aggregated with that Zegona Shareholder's taxable income for the relevant tax year, exceeds the basic rate band will be taxed at a rate of 20 per cent.

(b) UK resident corporate Zegona Shareholders

For UK corporate resident Zegona Shareholders, a disposal of Zegona Shares may give rise to a chargeable gain that is subject to corporation tax (currently at the rate of 25 per cent.) or an allowable loss for the purposes of UK corporation tax, subject to any available exemptions or reliefs.

(c) Non-UK resident Zegona Shareholders

Provided that the Company does not derive at least 75 per cent. of its value from UK land (in which case special rules apply), Zegona Shareholders who are not resident in the UK will not generally be subject to UK taxation of chargeable gains on the disposal of Zegona Shares unless they are carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Zegona Shareholder, a permanent establishment) in connection with which the Zegona Shares are used, held or acquired (regardless of whether or not, in the case of individual Zegona Shareholders, the Zegona Shareholder is domiciled or deemed domiciled in the UK). Non-UK tax resident Zegona Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Zegona Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as a non-resident pursuant to a relevant double tax treaty for a period of five years or less and who disposes of all or part of their Zegona Shares during that period of non-residence may be liable to capital gains tax in respect of such disposal on their return to the UK (such that the individual Zegona Shareholder becomes UK tax resident), subject to any available exemptions or reliefs.

1.3 *Stamp Duty and Stamp Duty Reserve Tax ("**SDRT**")*

The statements in this section are intended as a general guide to the current United Kingdom stamp duty and SDRT position and apply regardless of whether or not a Zegona Shareholder is resident, domiciled or deemed domiciled in the United Kingdom. Zegona Shareholders should note that certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986. Special rules apply to agreements made by, among others, intermediaries, and such rules are not covered by this summary.

(a) The Offer

The issue of New Zegona Shares will not give rise to stamp duty or SDRT. In the case of New Zegona Shares issued to a clearance service or depositary receipt system, this is currently as a result of EU case law which has been accepted by HMRC (subject to the comments set out in paragraph (d) below). The effect of this EU case law will continue to be recognised and followed in the UK pursuant to the provisions of the European Union (Withdrawal) Act 2018, even though the UK is no longer part of the EU, until at least 1 January 2024, when the provisions of the Retained EU Law (Revocation and Reform) Act 2023 will take effect. The Government announced on 14 September 2023 that it would introduce legislation to remove this charge with effect from 1 January 2024.

(b) Subsequent transfers outside of CREST, depositary receipt systems and clearance services

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration (or in certain cases the market value of the Zegona Shares) given is generally payable on an instrument transferring Zegona Shares. No stamp duty will be payable if the amount or value of the consideration for the transfer is £1,000 or less and it is certified that the transfer does not form part of a larger transaction, or larger series of transactions, where the aggregate consideration exceeds £1,000. A charge to SDRT will normally arise on an agreement to transfer Zegona Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable, or in certain cases the market value of the Zegona Shares). However, if within six years of the date on which the agreement is made (or, if the agreement is conditional, becomes unconditional) an instrument of transfer is executed pursuant to the agreement, and such instrument is duly stamped or certain other conditions are met, any SDRT already paid will be refunded provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

This paragraph is subject to paragraphs (c) and (d) below.

(c) Zegona Shares transferred to and within CREST

Paperless transfers of Zegona Shares within CREST are generally liable to SDRT rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable (or in certain cases the market value of the Zegona Shares). CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. No stamp duty or SDRT will generally arise on a transfer of Zegona Shares into the CREST system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise.

(d) Zegona Shares issues or transferred to, or transferred within, clearance services or depositary receipt systems

Subject to the sub-paragraphs below, where Zegona Shares are issued or transferred to, or to a nominee or agent for, a person whose business is or includes either issuing depositary receipts or the provision of a clearance service, SDRT or stamp duty may be charged at a rate of 1.5 per cent. of the amount or value of the consideration given or, in certain circumstances, the value of the shares. Other than where a clearance service has made an election under s.97A(1) of the Finance Act 1986 (to which the rules described in the following sub-paragraph apply), no stamp duty or SDRT is generally payable in respect of paperless transfers within clearance services or depositary receipt systems.

Where a clearance service has made and maintains an election under s.97A(1) of the Finance Act 1986 which has been approved by HMRC, there is an exception from the 1.5 per cent. charge on the issue or transfer to, or to a nominee or agent for, a clearance service. In these circumstances, stamp duty or SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer (or in certain cases the market value of the Zegona Shares) will arise on any transfer of Zegona Shares into a clearance service and on subsequent transfers of Zegona Shares within the clearance service.

HMRC accept that the 1.5 per cent. charge outlined above is in breach of EU law so far as it applies to new issues of shares or transfers that are an integral part of a capital raising. HMRC's published view is that the 1.5 per cent. SDRT or stamp duty charge continues to apply to other transfers of shares into a clearance service or depositary receipt arrangement. Further litigation indicates that certain transfers of legal title to clearance services in connection with listing, but not integral to a new issue, are also not chargeable. However, as noted in 1.3(a) above, the Retained EU Law (Revocation and Reform) Act 2023 will remove EU law concepts and assert the primacy of UK domestic legislation with effect from 1 January 2024, unless further legislation is introduced to deal specifically with tax law and/or the 1.5 per cent. stamp duty or SDRT charges. The Government announced on 14 September 2023 that it would introduce legislation to remove this charge with effect from 1 January 2024.

Any liability for SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service or system, which does arise will usually be a liability of the clearance service or depositary receipt system operator, as the case may be, but any liability to stamp duty or SDRT will, in practice, be payable by the participants in the clearance service or depositary receipt system.

1.4 *Inheritance Tax*

The Zegona Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of Zegona Shares by, or a transfer on the death of, an individual holder of Zegona Shares may (subject to certain exceptions and reliefs) give rise to a liability to UK inheritance tax, even if the holder is neither domiciled in the UK nor deemed to be domiciled there. Generally, UK inheritance tax is not chargeable on gifts to other individuals if the transfer is made more than seven years prior to the death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift in respect of the undervalue element and particular rules apply to gifts where the donor reserves or retains some benefit in respect of the asset gifted.

Special rules also apply to close companies and to trustees of settlements who acquire, dispose of or hold Zegona Shares, potentially bringing them within the charge to inheritance tax. Holders of Zegona Shares should consult an appropriate professional adviser if they intend to make a gift of, transfer at less than full market value, or hold any Zegona Shares through such a company or trust arrangement, or if there is potential for a double charge to UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.

2. **Certain U.S. Federal Income Tax Considerations**

The following discussion is a general summary based on present law of certain U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of Zegona Shares. This discussion is based on the U.S. Tax Code, its legislative history, existing and proposed regulations, published rulings and court decisions, as currently in effect as of the date of this Prospectus. These laws are subject to change, possibly on a retroactive basis. The statements are not exhaustive and relate only to certain limited aspects of the U.S. federal income tax consequences of holding or disposing of Zegona Shares. The Company has not sought any ruling from the U.S. Internal Revenue Service ("**IRS**") with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions. This discussion addresses only U.S. Holders (as defined below) that purchase New Zegona Shares in the Offer, will hold Zegona Shares as capital assets and use the U.S. dollar as their functional currency. This discussion does not address the tax treatment of persons subject to special rules, such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, brokers or dealers or traders in securities that elect to mark-to-market, tax-exempt entities including any "individual retirement accounts" or "Roth IRAs", persons owning directly, indirectly or constructively 10 per cent. or more of the Company's share capital (by vote or value), U.S. expatriates, persons liable for alternative minimum tax, persons holding Zegona Shares as part of a hedge, straddle, conversion, constructive sale, wash sale or other integrated financial transaction, persons holding Zegona Shares in connection with the conduct of a trade or business, entities classified as partnerships or other pass-through entities for U.S. federal income tax purposes (including beneficial owners of such entities), persons who acquired Zegona shares pursuant to the exercise of an employee stock option or otherwise as compensation for services or persons holding Zegona Shares in connection with a permanent establishment or fixed base outside the United States. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Zegona Shares by particular investors (including consequences under the alternative minimum tax), and does not address U.S. federal taxes other than income tax (e.g., estate taxes, generation-skipping transfer taxes and gift taxes), U.S. state and local, or non-U.S. tax considerations.

As used in this section, "**U.S. Holder**" means a beneficial owner of Zegona Shares that is, for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions (including, without limitation, any state or the District of Columbia), (iii) a trust that (a) is subject to the control of one or more U.S. persons for all substantial decisions of the trust and the primary supervision of a U.S. court or (b) has a valid election in effect to be treated as a U.S. person or (iv) an estate the income of which is subject to U.S. federal income tax without regard to its source.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Zegona Shares generally will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the specific U.S. federal income tax consequences to them and their partners of the partnership's acquisition, ownership and disposition of Zegona Shares.

The statements set out in the paragraphs below do not constitute tax or legal advice. Persons holding Zegona Shares should consult a competent tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences to them of acquiring, holding and disposing of Zegona Shares.

2.1 *Distributions*

Subject to the PFIC rules discussed in Section 2.3 below, the gross amount of distributions on the Zegona Shares (including the amount of any non-U.S. tax withheld) will be treated as dividends to the extent paid out of the Company's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Distributions (or portions thereof) from corporations demonstrated to be in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Zegona Shares and thereafter as capital gain. However, because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, financial intermediaries through which distributions are paid generally will be required to report distributions to U.S. Holders as dividends. Accordingly, distributions on the Zegona Shares generally should be included in a U.S. Holder's gross income as ordinary dividend income from foreign sources upon receipt. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations. If the Company qualifies for benefits under the United States-United Kingdom income tax treaty (the "**Treaty**"), dividends on the Zegona Shares generally will qualify for the reduced rates applicable to qualified dividend income of certain eligible non-corporate U.S. Holders that satisfy a minimum holding period and other generally applicable requirements, provided that the Company is not a PFIC (as discussed below) and the U.S. Holder is not under an obligation (whether pursuant to a short sale or otherwise) to make a related payment with respect to positions in substantially similar or related property. Assuming that the Zegona Shares are traded in sufficient quantity on the London Stock Exchange, the Directors believe it will qualify for benefits under the Treaty.

Dividends paid in a currency other than U.S. dollars (a "**non-U.S. currency**") will be includable in income in a U.S. dollar amount based on the exchange rate in effect on the date of receipt whether or not the non-U.S. currency is converted into U.S. dollars or otherwise disposed of at that time. If dividends received in a non-U.S. currency are converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income. A U.S. Holder's tax basis in the non-U.S. currency will equal the U.S. dollar amount included in income. Any gain or loss realised on a subsequent disposition or conversion of the non-U.S. currency for a different U.S. dollar amount generally will be U.S. source ordinary income or loss and will not be eligible for the preferential tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for U.S. foreign tax credit limitation purposes.

Although withholding taxes are not expected on dividends paid to U.S. Holders (see Section 1.1(c) above), if non-U.S. withholding taxes were to apply to any dividends paid to a U.S. Holder with respect to the Zegona Shares, subject to certain conditions and limitations, such withholding taxes may be treated as foreign taxes eligible for credit against such U.S. Holder's U.S. federal income tax liability. Instead of claiming a credit, a U.S. Holder may elect to deduct such taxes in computing taxable income, subject to applicable limitations. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued by the U.S. Holder in the relevant taxable year. If a refund of the tax withheld is available under the applicable laws of the United Kingdom or under the Treaty, the amount of tax withheld that is refundable will not be eligible for such credit against a U.S. Holder's U.S. federal income tax liability (and will not be eligible for the deduction against such U.S. Holder's U.S. federal taxable income). If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the U.S. foreign tax credit limitation will, in general, be limited. Dividends will be income from sources outside the United States and will generally be "passive category" income for U.S. foreign tax credit limitation purposes. The rules relating to the determination of the U.S. foreign tax credit are complex, and U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit (or deduction instead of a credit) in their particular circumstances, including the effects of the Treaty.

2.2 *Sale or Other Disposition*

Subject to the PFIC rules discussed in Section 2.3 below, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes on the sale or other disposition of Zegona Shares in an amount equal to the difference, if any, between the U.S. Holder's adjusted tax basis in the Zegona Shares and the U.S. dollar value of the amount realised from the sale or other disposition. A U.S. Holder's adjusted tax basis in the Zegona Shares generally will be the U.S. dollar value of the purchase price paid in the Offer. Any gain or loss generally will be treated as arising from U.S. sources and will be long-term capital gain or loss if the U.S. Holder's holding period exceeds one year. Accordingly, in the event any non-U.S. tax (including withholding tax) is imposed upon the sale or other taxable disposition, a U.S. Holder may not be able to utilise a foreign tax credit unless such U.S. Holder has foreign source income or gain in the same category from other sources. Long-term capital gain of a non-corporate U.S. Holder generally will be subject to U.S. federal income tax at reduced tax rates. Deductions for capital losses are subject to limitations. A loss may nonetheless be a long-term capital loss regardless of a U.S. Holder's actual holding period to the extent the U.S. Holder has received qualified dividends eligible for reduced rates of tax prior to a sale or other disposition of its Zegona Shares that exceeded 10 per cent. of such U.S. Holder's basis in the Zegona Shares.

A U.S. Holder that receives non-U.S. currency on the sale or other disposition of Zegona Shares will realise an amount equal to the U.S. dollar value of the non-U.S. currency received at the spot rate on the date of sale or other disposition (or, in the case of cash basis and electing accrual basis U.S. Holders, the settlement date). Different rules apply to U.S. Holders who use the accrual method with respect to foreign currency. If a U.S. Holder used foreign currency to purchase the Zegona Shares, the cost of such Zegona Shares will be the U.S. dollar value of the foreign currency purchase price on the date of purchase, translated at the spot rate of exchange on that date (or, in the case of cash basis and electing accrual basis U.S. Holders, the settlement date). Upon a sale or other disposition of Zegona Shares, a U.S. Holder will have a tax basis in the non-U.S. currency received equal to the U.S. dollar value of the non-U.S. currency received at the spot rate on the settlement date. Any gain or loss realised on a subsequent disposition or conversion of the non-U.S. currency for a different U.S. dollar amount generally will be U.S. source ordinary income or loss. U.S. Holders should consult their tax advisors regarding the U.S. federal income tax consequences, including potential information reporting obligations, of a subsequent disposition or conversion of any foreign currency received upon the sale or other taxable disposition of the Zegona Shares.

2.3 *Passive Foreign Investment Companies*

As described below, if the Company is considered to be a PFIC at any time during a U.S. Holder's holding period for the Zegona Shares, such U.S. Holder may be subject to adverse U.S. federal income tax consequences with respect to distributions and dispositions related to the Zegona Shares. A non-U.S. corporation will be a PFIC for U.S. federal income tax purposes for any taxable year if, after applying certain look-through rules, either:

- 75 per cent. or more of its gross income for such year is "passive income", which for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions and gains from assets that produce passive income (the "**Income Test**"); or
- 50 per cent. or more of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income (the "**Asset Test**").

For this purpose, a corporation will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which the corporation owns, directly or indirectly, at least 25 per cent. (by value) of the stock. Conversely, stock of any other corporation in which the non-U.S. corporation owns, directly or indirectly, less than 25 per cent. (by value) of the stock will be treated as an asset that produces passive income or is held for the production of passive income.

The Company was likely a PFIC for the taxable year 2022 and would likely be a PFIC for the taxable year 2023 and subsequent taxable years unless the completion of the Acquisition occurs. If the completion of the Acquisition occurs in the current taxable year, the Company may not be classified as a PFIC for U.S. federal income tax purposes for its current taxable year and, based on the composition of Company's current gross assets and income (including the income and assets of the Zegona Group) and the manner in which the Company expects the Zegona Group to operate its business in future years after the completion of the Acquisition, the Company would not expect to be classified as a PFIC for U.S. federal income tax purposes in the foreseeable future. Because Vodafone Spain will be owned at least 25 per cent. (by value) by the Company, its assets and income will be taken into account for purposes of the Income Test and the Asset Test. Based on the current projected income and assets of the Enlarged Group, it is not expected that the Income Test or Asset Test will be satisfied for taxable years of the Company including or subsequent to the Acquisition.

Nonetheless, the Company's status as a PFIC for any taxable year will depend on the nature and composition of its income and the projected nature and composition and estimated fair market values of its assets and activities in each year, and because this is a factual determination made annually after the end of each taxable year, there can be no assurance that the Company will not be considered a PFIC for the current taxable year or any future taxable year. The market value of the Company's assets may be determined in large part by reference to the market price of the Zegona Shares, which is likely to fluctuate. Under the income test, the Company's status as a PFIC depends on the composition of its income which will depend on the transactions it enters into in the future and its corporate structure. The composition of the Company's income and assets is also affected by the spending of the cash it raises in any offering. Further, even if the Company determines that it is not a PFIC after the close of a taxable year, there can be no assurances that the IRS will agree with the Company's conclusion. The Company does not intend to conduct an annual PFIC analysis at the end of each taxable year or notify its U.S. Holders regarding its PFIC status.

If the Company were a PFIC for any taxable year during which a U.S. Holder owns Zegona Shares, such U.S. Holder generally will be subject to special tax rules with respect to any excess distribution that it receives and any gain realised from a sale or other disposition (including, under certain circumstances, a pledge) of such Zegona Shares, unless such U.S. Holder makes a "mark-to-market" election as discussed below. A U.S. Holder that does not make a mark-to-market election will be referred to in this summary as a "**Non-Electing U.S. Holder**."

Under the PFIC rules, distributions received in a taxable year that are greater than 125 per cent. of the average annual distributions received during the shorter of the three preceding taxable years or a U.S. Holder's holding period for the Zegona Shares will be treated as excess distributions. A Non-Electing U.S. Holder will generally be taxed on excess distributions and gains on disposition of the Zegona Shares in the following manner:

- the excess distribution or gain will be allocated rateably over the Non-Electing U.S. Holder's holding period for the Zegona Shares;
- the amount allocated to the taxable year of disposition or excess distribution, and any taxable years in a Non-Electing U.S. Holder's holding period prior to the first taxable year in which the Company was a PFIC, will be treated as ordinary income; and
- the amount allocated to each other taxable year will be subject to the highest tax rate on ordinary income in effect for individuals or corporations, as applicable, for each such year and the interest charge

generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) realised on the sale of the Zegona Shares cannot be treated as capital gains, even if the Zegona Shares are held as capital assets.

If the Company were a PFIC for any taxable year during which a Non-Electing U.S. Holder owns Zegona Shares, the Company will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether the Company ceases to be a PFIC in one or more subsequent tax years. If the Company ceases to be a PFIC, a Non-Electing U.S. Holder may terminate this deemed PFIC status with respect to Zegona Shares by electing to recognise gain (which will be subject to the special tax rules discussed above), but not loss, as if such Zegona Shares were sold on the last day of the last taxable year for which the Company was a PFIC.

Certain elections exist that may alleviate some of the adverse consequences of PFIC status and would result in an alternative treatment (such as mark-to-market treatment). A U.S. Holder of "marketable stock" (as defined below) in a PFIC may avoid taxation under the default rules described above if such U.S. Holder makes a valid mark-to-market election for such stock. If a U.S. Holder makes a mark-to-market election for the Zegona Shares, such U.S. Holder will include as ordinary income for each year that the Company is treated as a PFIC an amount equal to the excess, if any, of the fair market value of the Zegona Shares as of the close of such U.S. Holder's taxable year over its adjusted basis in the Zegona Shares. The U.S. Holder would also include as an ordinary loss an amount equal to the excess, if any, of the adjusted tax basis of the Zegona Shares over the fair market value of the Zegona Shares as of the close of such U.S. Holder's taxable year, but only to the extent of the excess of amounts previously included in income over ordinary losses deducted as a result of the mark-to-market election. An electing U.S. Holder's basis in the Zegona Shares will be adjusted to reflect any such income or loss amounts. Any gain from a sale, exchange or other disposition of the Zegona Shares in any taxable year in which the Company is a PFIC (i.e., any year in which the Company meets the Asset Test or Income Test described above), would be treated as ordinary income and any loss from a sale, exchange or other disposition would be treated first as an ordinary loss to the extent of any net mark-to-market gains previously included in income and thereafter as a capital loss. If the Company ceases to be a PFIC, any gain or loss recognised by a U.S. Holder on the sale, exchange or other disposition of the Zegona Shares would be classified as a capital gain or loss.

Once made, the election cannot be revoked without the consent of the IRS unless the Zegona Shares cease to be "marketable stock". If the Company is a PFIC for any year in which a U.S. Holder owns the Zegona Shares but before a mark-to-market election is made, the interest charge rules described above will apply to any mark-to-market gain recognised in the year the election is made. The tax rules described herein that apply to distributions by corporations which are not PFICs would apply to distributions by the Company, except that the lower capital gains rate applicable to qualified dividend income (as defined in the U.S. Tax Code) would not apply. A mark-to-mark election will not apply to the Zegona Shares for any taxable year during which the Company is not a PFIC, but will remain in effect with respect to any subsequent taxable year in which the Company again becomes a PFIC.

The mark-to-market election is available to a U.S. Holder only for "marketable stock." Generally, stock will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable U.S. Treasury Regulations. A class of stock is "regularly traded" during any calendar year during which such class of stock is traded in more than *de minimis* amounts on a qualified exchange for 15 or more days during each calendar quarter. The Company expects that the Zegona Shares should be marketable stock as long as they are listed on the London Stock Exchange and are regularly traded; however, the Company can give no assurance that the Zegona Shares will be regularly traded. Additionally, if the Company is a PFIC and the Company owns directly or indirectly equity in any companies that are also PFICs ("**lower-tier PFICs**"), a U.S. Holder may continue to be subject to the PFIC rules discussed above relating to taxation of Non-Electing U.S. Holders with respect to lower-tier PFICs. An election for mark-to-market treatment is unlikely to be available to mitigate any adverse tax consequences with respect to a lower-tier PFIC. U.S. Holders should consult their tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs.

The tax consequences that would apply if the Company were a PFIC would also be different from those described above if a U.S. Holder were able to make a valid "qualified electing fund", or QEF, election. However, the Company does not currently intend to provide the information necessary for U.S. Holders to make a QEF election if the Company were treated as a PFIC for any taxable year and prospective investors should assume that a QEF election will not be available. U.S. Holders should consult their tax advisors to determine whether any of these elections would be available and if so, what the consequences of the alternative treatments would be in their particular circumstances.

U.S. Holders of PFIC stock are also subject to additional information reporting rules. Generally, each U.S. Holder of the Company, for any year in which the Company is a PFIC with respect to such U.S. Holder, is required to file an IRS Form 8621. U.S. Holders should consult their tax advisors regarding any reporting requirements that may apply to them.

The discussion above under the headings *Distributions* and *Sale or Other Disposition* assumes the Company will not become a PFIC during any taxable year in which a U.S. Holder owns Zegona Shares. U.S. Holders could be adversely impacted if the Company were to become classified as a PFIC in the future.

Based on the major shareholders of the Company (see Section B.1.4 of Part I (*Summary*)), the Company does not believe it is a controlled foreign corporation (a "**CFC**") for U.S. federal income tax purposes. The above discussion assumes the Company is not treated as, and will not be treated as, a CFC under the U.S. Tax Code, but no assurance can be made in that regard. U.S. Holders are urged to consult their tax advisors regarding the tax considerations of owning Zegona Shares in the event that the Company is treated as a CFC.

The rules regarding PFICs are extremely complex. U.S. Holders and potential investors are urged to consult with their own tax advisors about the U.S. federal income tax consequences arising in connection with their investment in Zegona Shares if the Company were to be classified as a PFIC in any taxable period in which such investor holds Zegona Shares.

2.4 *Medicare Tax on Net Investment Income*

Certain non-corporate U.S. Holders whose income exceeds certain thresholds generally will be subject to a 3.8 per cent. surtax tax on their "net investment income" (which generally includes, among other things, dividends on, and capital gain from the sale or other disposition of, Zegona Shares, unless such dividends or capital gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities)). Non-corporate U.S. Holders should consult their own tax advisors regarding the possible effect of such tax on their ownership and disposition of Zegona Shares.

2.5 *Reporting and Backup Withholding*

Dividends on the Zegona Shares and proceeds from the sale or other disposition of Zegona Shares that is made within the U.S. or through certain financial intermediaries may be reported to the IRS unless the U.S. Holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to reportable payments unless the U.S. Holder makes the required certification, including providing a correct taxpayer identification number and certifying that it is not subject to backup withholding on IRS Form W-9, or otherwise establishes a basis for exemption. Any amount withheld may be credited against a U.S. Holder's U.S. federal income tax liability or refunded to the extent it exceeds the U.S. Holder's liability, provided the required information is timely furnished to the IRS. Certain U.S. Holders are required to report information with respect to Zegona Shares not held through an account with a U.S. financial institution to the IRS. U.S. Holders who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors about these and any other reporting obligations arising from their investment in Zegona Shares.

2.6 *Information with Respect to Foreign Financial Assets*

U.S. Holders who are individuals (and certain entities) that hold an interest in "specified foreign financial assets" (which may include the Zegona Shares) with an aggregate value in excess of U.S. $50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns, subject to certain exceptions (including an exception for Zegona Shares held in accounts maintained by certain financial institutions). "Specified foreign financial assets" generally include financial accounts maintained by non-U.S. financial institutions as well as stock issued by a non-U.S. corporation that is not held in an account maintained by a financial institution. Penalties can apply if U.S. Holders fail to satisfy such reporting requirements. U.S. Holders should consult their tax advisors regarding the applicability of these requirements to their acquisition and ownership of the Zegona Shares.

2.7 *Transfer Reporting Requirements*

A U.S. Holder (including a U.S. tax-exempt entity) that acquires equity of a non-U.S. corporation in a transaction where the U.S. Holder and other persons acquiring such equity have "control" (as defined under the U.S. Tax Code) immediately after such transaction may be required to file a Form 926 or a similar form with the IRS if (i) such person owned, directly or by attribution, immediately after the transfer at least 10 per cent. by vote or value of the corporation or (ii) if the transfer, when aggregated with all transfers made by such person (or any related person) within the preceding 12-month period, exceeds U.S. $100,000. U.S. Holders should consult their tax advisors regarding the applicability of this requirement to their acquisition of Zegona Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE ZEGONA SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

PART XIX. THE OFFER

1. The Offer

The Company has raised net proceeds of £251 million, after deduction of the aggregate commissions and the other fees and expenses payable by the Company which are related to the Placing, by way of a non-pre-emptive placing of 174,413,535 New Zegona Shares at the Offer Price. The Offer Price represents a 380 per cent. premium to the closing mid-market price of a Zegona Share on 22 September 2023, the date when Zegona requested that trading in its shares was suspended by the London Stock Exchange following press speculation in relation to the Acquisition. The terms and conditions of the Placing were announced by the Company in the Placing Announcement.

The Company has also raised gross proceeds of €900 million pursuant to the Conditional Subscription and Relationship Agreement for 523,240,603 New Zegona Shares at the Offer Price (converted to Euro at the Exchange Rate). Newco has agreed to subscribe for New Zegona Shares at the Offer Price (converted to Euro at the Exchange Rate) by using the proceeds of the issue of the Vodafone Preference Shares to the Seller. Assuming the Placing completes, the amount of the Vodafone Preference Shares is €900 million and Newco will hold 523,240,603 Zegona Shares upon Admission and Re-Admission.

The Company also intends to raise gross proceeds of up to €8 million through a separate offering of New Zegona Shares at the Offer Price in the PrimaryBid Offer. None of the Joint Bookrunners is acting for the Company with respect to the PrimaryBid Offer.

The New Zegona Shares will, when issued and fully paid, rank *pari passu* in all respects with each other and with each Existing Zegona Share, including the right to receive all dividends or other distributions declared with a record date falling after Admission. When admitted to trading, the New Zegona Shares will be registered with ISIN GB00BVGBY890 and SEDOL number BVGBY89 and will trade under the symbol "ZEG".

Other than the issue of New Zegona Shares in connection with the Offer and the PrimaryBid Offer, the Company has undertaken to the Joint Bookrunners that, subject to certain customary carve-outs, until the date which is 180 calendar days after Re-Admission, it will not, without the prior written consent of the Global Co-ordinator (acting solely in its capacity as global co-ordinator in connection with the Placing and such consent not to be unreasonably withheld or delayed), enter into certain transactions involving or relating to the Zegona Shares, including the issue of further Zegona Shares during that period.

By participating in the Placing, Placees agree that the exercise by the Global Co-ordinator of any power to grant consent to waive the aforementioned undertaking by the Company shall be within the absolute discretion of the Global Co-ordinator and that it need not make any reference to, or consult with, Placees and that it shall have no liability to Placees whatsoever in connection with any such exercise of the power to grant consent.

1.1 *The Placing*

The Placing is conditional on, amongst other things, (i) the lifting of the current suspension of the Zegona Shares to trading on the Main Market by not later than Admission; (ii) Admission having occurred not later than 8.00 a.m. on 17 November 2023 (or such later time or date as the Global Co-ordinator may agree with the Company, being not later than 24 November 2023); (iii) the Placing Agreement having become unconditional in all respects and not having been terminated prior to Admission; and (iv) the passing of the resolutions (without amendment) at the General Meeting. If any of the conditions are not satisfied or, if applicable, waived, then the Placing will not take place and any monies received in respect of the Placing will be returned to applicants without interest.

The Company and the Joint Bookrunners have entered into the Placing Agreement pursuant to which the Joint Bookrunners severally agreed, on the terms and subject to the conditions contained therein, to use reasonable endeavours to procure, as agents for the Company, subscribers for the New Zegona Shares. If any subscriber procured by the Joint Bookrunners fails to subscribe for the New Zegona Shares which they have agreed to subscribe for in the Placing, the Joint Bookrunners have severally agreed, in specific proportions, to themselves subscribe for such New Zegona Shares at the Offer Price as principals. Further details of the terms of the Placing Agreement are set out in paragraph 16 of Part XX (*Additional Information*) of this Prospectus.

1.2 *The Conditional Subscription*

Newco has agreed, pursuant to the Conditional Subscription and Relationship Agreement and with the proceeds of the issue of the Vodafone Preference Shares, to subscribe for €900 million of New Zegona Shares at the Offer Price (converted to Euro at the Exchange Rate) in the Conditional Subscription. Assuming the Placing completes, the amount of the Vodafone Preference Shares is €900 million and Newco will hold 523,240,603 Zegona Shares upon Admission and Re-Admission.

1.3 *The PrimaryBid Offer*

The Company also intends to raise gross proceeds of up to €8 million through a separate offering of New Zegona Shares at the Offer Price in the PrimaryBid Offer.

Each person who subscribes for New Zegona Shares pursuant to the PrimaryBid Offer will be deemed to have acknowledged that its agreement to subscribe for New Zegona Shares is not by way of an acceptance of a public offer made or to be made in this Prospectus but is by way of a collateral contract and, accordingly, Article 23(2) of the EU Prospectus Regulation and the Prospectus Regulation does not entitle a such person to withdraw in the event that the Company publishes a supplementary prospectus in connection with the Admission and/or Re-Admission.

None of the Joint Bookrunners is acting for the Company with respect to the PrimaryBid Offer.

2. Use of proceeds

The net proceeds of the Offer and the PrimaryBid Offer will be used to partially fund the Acquisition, fees and expenses incurred in connection with the Transaction and for general corporate purposes.

The Placing is not conditional on Completion and may therefore complete while the Acquisition does not. In such circumstances, the Directors' current intention is that they may seek to undertake other transactions that the Directors consider (having sought Zegona Shareholder approval) appropriate.

If the Zegona Group is unable to identify uses for the net proceeds of the Placing received by the Company at Admission which the Directors consider (having consulted with Zegona Shareholders) to be appropriate then the Company may seek to return some of the net proceeds of the Placing received by the Company at Admission to Zegona Shareholders, at which point the Directors will evaluate how best, in their view, to execute such return of capital, having regard to applicable legal requirements and the Company's ongoing funding position. However, there can be no guarantee that such proceeds will be returned to Zegona Shareholders in a timely manner or at all.

If Completion does not occur, the Company will also have issued 523,240,603 New Zegona Shares to Newco pursuant to the Conditional Subscription and Relationship Agreement. In the event that the Acquisition Agreement terminates after New Zegona Shares have been issued to Newco pursuant to the Conditional Subscription, the Company proposes to undertake a buyback of all New Zegona Shares held by Newco pursuant to the terms of the Buyback Agreement, as the purpose of issuing those New Zegona Shares to Newco is solely in respect of the Acquisition and in those circumstances the Vodafone Preference Shares will not be issued to the Seller.

In such circumstances, the Company would buyback all of the New Zegona Shares held by Newco in consideration for the set-off of a promissory note issued by Newco to the Company in respect of the issue of the New Zegona Shares to Newco pursuant to the Conditional Subscription.

The buyback of Zegona Shares under the Buyback Agreement is conditional on the passing of the Buyback Resolution and, if the Placing has completed, Zegona giving 6 months' notice to Shareholders of the buyback.

3. Dilution

The Existing Zegona Shares will be diluted by the issue of the New Zegona Shares. Assuming the maximum number of New Zegona Shares are issued and there are no other changes to Zegona's share capital between the date of this Prospectus and Admission, Existing Zegona Shareholders who do not participate in the Placing or the PrimaryBid Offer will suffer dilution of approximately 99 per cent. to their shareholdings in the Company.

4. Terms of participation in the Placing

Persons who have been invited to and who have chosen to participate in the Placing, including any individuals, funds or others on whose behalf a commitment to acquire New Zegona Shares in the Placing has been given, have been deemed: (i) to have read and understood the Placing Announcement (including the appendices thereto), a placing proof of this Prospectus (the "**Preliminary Prospectus**") and the announcement of the results of the Placing (the "**Results Announcement**" and together with the

Placing Announcement and the Preliminary Prospectus, the "**Placing Information**") in their entirety; and (ii) to have made such offer to participate on the terms and conditions of the Placing contained in the Placing Information, including (and such persons are only being permitted to participate in the Placing on the basis that they have provided) the representations, warranties, acknowledgements, agreements and undertakings, set out in the Placing Announcement (including the appendices thereto).

Each person who subscribes for New Zegona Shares pursuant to the Placing will be deemed to have acknowledged that its agreement to subscribe for New Zegona Shares is not by way of an acceptance of a public offer made or to be made in this Prospectus but is by way of a collateral contract and, accordingly, Article 23(2) of the EU Prospectus Regulation and the Prospectus Regulation does not entitle a such person to withdraw in the event that the Company publishes a supplementary prospectus in connection with the Admission and/or Re-Admission.

5. Admission and dealings

Applications will be made to the FCA and the London Stock Exchange, respectively, for the New Zegona Shares to be admitted to the standard listing segment of the Official List and to trading on the Main Market. The earliest date for settlement of such dealings will be 17 November 2023. Admission is expected to take place and unconditional dealings in the New Zegona Shares are expected to commence on the London Stock Exchange at 8.00 a.m. on 17 November 2023. Dealings on the London Stock Exchange before Admission will only be settled if Admission takes place.

As the Acquisition is classified as a reverse takeover under the Listing Rules, upon Completion, the admission of all of the Zegona Shares in issue immediately prior to Completion to the standard listing segment of the Official List and to trading on the Main Market will be cancelled and applications will be made to the FCA and the London Stock Exchange, respectively, for the re-admission of the Zegona Shares, including the New Zegona Shares, to the standard listing segment of the Official List and to trading on the Main Market.

6. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Zegona Shares under the CREST system.

The records in respect of New Zegona Shares held in uncertificated form will be maintained by Euroclear and the Company's share registrar. The names of subscribers or their nominees investing through their CREST accounts will be entered directly on to the share register of the Company.

The transfer of New Zegona Shares out of the CREST system following Admission and Re-Admission should be arranged directly through CREST. However, an investor's beneficial holding held through the CREST system may be exchanged, in whole or in part, only upon the specific request of the registered holder to CREST for share certificates or an uncertificated holding in definitive registered form.

CREST is a voluntary system and shareholders who wish to receive and retain share certificates will be able to do so. An investor applying for New Zegona Shares in the Placing or the PrimaryBid Offer may, elect to receive Zegona Shares in uncertificated form if such investor is a system-member (as defined in the Regulations) in relation to CREST.

7. Selling restrictions and notice to overseas investors

This Prospectus has been approved by the FCA, being the competent authority in the United Kingdom. The distribution of this Prospectus and the making or acceptance of the offer of New Zegona Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the New Zegona Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the New Zegona Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the New Zegona Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus contained in this Prospectus and the offer of the New Zegona Shares. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or purchase any of the New Zegona Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

International offering outside the United States

Each person to whom New Zegona Shares are offered or who accesses this Prospectus will be deemed to have represented and agreed, on its own behalf and on behalf of any beneficial owner for whose account it is acting for in connection with the Placing, that outside the United States and not a U.S. person, and if it purchases New Zegona Shares during the 40-day period after the New Zegona Shares are listed on the London Stock Exchange, then: at the time of such purchase it, and any beneficial owner for whom it is acting, (x) will not be a U.S. Person and will be located outside of the United States (within the meaning of Regulation S), (y) the purchaser exercises sole investment discretion with respect to such beneficial owners; (z) and such securities so purchased will be offered, resold, pledged or otherwise transferred only outside the United States to a purchaser not known by you to be a U.S. Person, by pre-arrangement or otherwise, and in an offshore transaction complying with the provisions of Rule 904 of Regulation S.

If you purchase the New Zegona Shares in the Placing outside the United States in reliance on Regulation S, you and each subsequent purchaser of those New Zegona Shares in resales prior to the expiration of 40 days after the later of the commencement of the Placing and the closing date, by accepting delivery of this Prospectus, will be deemed to have represented and agreed as follows:

- you are not a U.S. Person and you and the person, if any, for whose account you are acquiring the New Zegona Shares, are, or at the time the New Zegona Shares are offered or purchased pursuant to Regulation S, will be the beneficial owner of such New Zegona Shares and (A) you were located outside the United States at the time the buy order for the New Zegona Shares was originated and continue to be located outside the United States and have not purchased the New Zegona Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of such New Zegona Shares or any economic interest therein to any person in the United States and are acquiring the New Zegona Shares in an offshore transaction (within the meaning of Regulation S) in reliance on Regulation S; and (B) you are not an affiliate of the Company or a person acting on its behalf or such an affiliate;
- you and the person, if any, for whose account you are acquiring the New Zegona Shares, understand that the New Zegona Shares have not been and will not be registered under the U.S. Securities Act and that you will not offer, sell, pledge or otherwise transfer such New Zegona Shares except outside the United States to a purchaser not known by you to be a U.S. Person, by pre-arrangement or otherwise, and in an offshore transaction complying with the provisions of Rule 904 of Regulation S;
- you have not been offered the New Zegona Shares by means of any "directed selling efforts" as defined under Regulation S and that neither you, nor any of your affiliates, nor any person acting on your behalf or on behalf of any of your affiliates, will make any "directed selling efforts" as defined under Regulation S in the United States with respect to the New Zegona Shares;
- any offer, sale, pledge or other transfer made other than in compliance with the above stated restrictions shall not be recognised by the Company in respect of the New Zegona Shares; and
- you agree to notify and will be deemed to have notified, and each subsequent holder is required to notify and will be deemed to have notified, any purchaser of the New Zegona Shares from you or such subsequent holder of the resale restrictions referred to herein.

International offering in the United States

If you are a U.S. Person or purchase the New Zegona Shares in the United States in reliance on an exemption from the registration requirements under the U.S. Securities Act, you will be required to deliver to the Company the U.S. Investor Letter.

7.1 European Economic Area

In relation to each member state of the European Economic Area ("**EEA**") (each, a "**relevant member state**"), no New Zegona Shares have been offered or will be offered pursuant to the Offer or the PrimaryBid Offer to the public in that relevant member state prior to the publication of a prospectus in relation to the New Zegona Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the EU Prospectus Regulation, except that offers of the New Zegona Shares may be made to the public in that relevant member state at any time:

- to any legal entity which is a qualified investor as defined under the EU Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) in such relevant member state subject to obtaining the prior consent of the Global Co-ordinator; or
- in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of the New Zegona Shares shall require the Company or any Joint Bookrunner to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

Each person who initially acquires any New Zegona Shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Joint Bookrunners and the Company that it is a qualified investor within the meaning of the EU Prospectus Regulation.

For the purpose of this provision, the expression an "offer to the public" in relation to any New Zegona Shares in any relevant member state means a communication in any form and by any means presenting sufficient information on the terms of the Offer or the PrimaryBid Offer and any New Zegona Shares to be offered so as to enable an investor to decide to subscribe for or purchase any New Zegona Shares.

In the case of any New Zegona Shares being offered to a financial intermediary, as that term is used in Article 5(1) of the EU Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed to and with the Company and the Joint Bookrunners that the New Zegona Shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer to the public other than their offer or resale in a relevant member state to qualified investors in circumstances in which the prior consent of the Global Coordinator has been obtained to each such proposed offer or resale.

The Company, the Joint Bookrunners and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Joint Bookrunners of such fact in writing may, with the prior consent of the Global Co-ordinator, be permitted to acquire New Zegona Shares in the Placing.

7.2 ***United States***

The New Zegona Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state or local securities laws and in a transaction that does not require the Company to register under the U.S. Investment Company Act. The Company has not been and will not be registered under the U.S. Investment Company Act pursuant to the exemption provided by Section 3(c)(7) thereof, and investors will not be entitled to the benefits of the U.S. Investment Company Act. The Company proposes to place the New Zegona Shares outside the United States to non-U.S. Persons in offshore transactions in accordance with Regulation S and in the United States to, or for the account or benefit of, U.S. Persons to QIBs that are also QPs under the U.S. Investment Company Act in reliance on an exemption from registration under the U.S. Securities Act and who have each executed and delivered to the Company a U.S. Investor Letter.

The New Zegona Shares are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under applicable U.S. federal securities laws and as permitted as set forth below.

Each U.S. person (whether in the United States or elsewhere) to whom New Zegona Shares are offered or who accesses this Prospectus will be deemed to have represented and agreed, on its own behalf and on behalf of any beneficial owner for whose account it is acting for in connection with the Placing, that it is a QIB and a QP, and if it purchases New Zegona Shares during the 40-day period after the New Zegona Shares are listed on the London Stock Exchange, then: at the time of such purchase it and any beneficial owner for whom it is acting, (x) will be a QIB that is also a QP, (y) the purchaser exercises sole investment discretion with respect to such beneficial owner; and (z) such securities so purchased will be offered, resold, pledged or otherwise transferred only outside the United States to a purchaser not known by you to be a U.S. Person, by pre-arrangement or otherwise, and in an offshore transaction complying with the provisions of Rule 904 of Regulation S.

Any offer or sale of New Zegona Shares in reliance on an exemption from the registration requirements under the U.S. Securities Act will be made only by broker-dealers who are registered as such under the U.S. Exchange Act.

The New Zegona Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Placing or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

If you purchase New Zegona Shares in the Placing, you will be deemed to have made the representations and agreements in the Placing Announcement (including the appendices thereto) with respect to that purchase.

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the New Zegona Shares. These restrictions include, among others, (i) prohibitions on participation in the Placing by persons in circumstances which might cause the Company to be registered as an investment company under the U.S. Investment Company Act, and (ii) restrictions on the ownership and transfer of the New Zegona Shares by such persons following the Placing. Terms that are defined in Rule 144A or Regulation S are used herein as defined therein.

7.3 *Australia*

This Prospectus is not a prospectus, product disclosure statement or disclosure document for the purposes of the Australian Corporations Act 2001 (Cth) ("**Corporations Act**"). It has not been lodged with the Australian Investments and Securities Commission. The Offer does not constitute an offer of New Zegona Shares into Australia other than in circumstances where disclosure to investors is not required under Chapter 6D of the Corporations Act. Any person receiving this Prospectus warrants and represents that it is an investor within the meaning of subsections 708(8) (sophisticated investors) or 708(11) (professional investors) of the Corporations Act.

7.4 *Canada*

No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the New Zegona Shares, the New Zegona Shares have not been, and will not be, qualified for sale under the securities laws of Canada or any province or territory thereof and no securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this Prospectus or the merits of the New Zegona Shares and any representation to the contrary is an offence.

Each person in Canada or resident in Canada or otherwise subject to the securities laws of any province or territory of Canada to whom New Zegona Shares are offered or who accesses this Prospectus will be deemed to have represented and agreed, on its own behalf and on behalf of any beneficial owner for whose account it is acting for in connection with the Placing, that it is an "accredited investor" (as such term is defined in section 1.1 of NI 45-106 or, in Ontario, as such term is defined in section 73.3(1) of the *Securities Act* (Ontario)), that is also a "permitted client" (as such term is defined in section 1.1 of NI 31-103), that is purchasing as principal, or is deemed to be purchasing as principal in accordance with applicable Canadian securities laws, and that is not a person created or used solely to purchase or hold the New Zegona Shares as an "accredited investor" as described in paragraph (m) of the definition of "accredited investor" in section 1.1 of NI 45-106.

Any offer or sale of New Zegona Shares will be made only by dealers who are either appropriately registered under applicable securities laws in each province or territory of Canada in which they are offering or selling New Zegona Shares or are entitled to rely on an exemption from the registration requirement and have complied with the requirements of that exemption.

The offer and sale of the New Zegona Shares in Canada is being made on a private placement basis only and is exempt from the requirement that the Issuer prepares and files a prospectus under applicable Canadian securities laws. Any resale of the New Zegona Shares must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the New Zegona Shares outside of Canada.

If you purchase New Zegona Shares in the Placing, you will be deemed to have made the representations and agreements in the Placing Announcement (including the appendices thereto) with respect to that purchase.

7.5 ***Kuwait***

This Prospectus is not for circulation to the public nor to private investors in Kuwait. The New Zegona Shares have not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of the New Zegona Shares in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the New Zegona Shares is being made in Kuwait, and no agreement relating to the sale of the New Zegona Shares will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the New Zegona Shares in Kuwait.

7.6 ***Qatar***

The New Zegona Shares have not and will not be offered, sold or delivered directly or indirectly, in Qatar (including the Qatar Financial Centre), except in compliance with all applicable laws and regulations of Qatar (including the Qatar Financial Centre); and this Prospectus has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other relevant Qatar governmental body or securities exchange.

The New Zegona Shares are only being offered to a limited number of institutional investors who are willing and able to conduct an independent investigation of the risks involved in an investment in such securities. This Prospectus does not constitute an offer to the public and is for the use only of the original recipient and should not be given or shown to any other person (other than employees, agents or consultants in connection with the original recipient's consideration thereof). The New Zegona Shares have not been and will not be registered with the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other relevant licensing authorities or governmental agencies in the State of Qatar. No transaction will be concluded in Qatar.

7.7 ***Switzerland***

The New Zegona Shares do not qualify as units of a collective investment scheme within the meaning of the Swiss Collective Investment Schemes Act ("**CISA**"), as amended. Therefore, the New Zegona Shares are not governed by the CISA and Zegona is neither supervised nor approved by the Swiss Financial Market Supervisory Authority ("**FINMA**"). Accordingly, investors do not benefit from the specific investor protection provided under the CISA. Any investment in the New Zegona Shares does not have the status of a bank deposit and is not within the scope of any deposit protection scheme. The issuer is not and will not be regulated by any regulator in Switzerland as a result of issuing the New Zegona Shares.

The Joint Bookrunners market the New Zegona Shares as underwriters for Zegona and not as financial service providers as defined by the Swiss Financial Services Act ("**FinSA**"). Consequently, investors in Switzerland will not be considered clients as defined by the FinSA. Further, no personal advice in the context of the acquisition of the New Zegona Shares has been or will be given by the Joint Bookrunners. Investors in Switzerland will not benefit from any protection offered by the FinSA.

The offering of the New Zegona Shares in Switzerland is exempt from the requirement to prepare and publish a prospectus under the FinSA because such offering is made exclusively to professional clients within the meaning of the FinSA. Neither this Prospectus nor any other offering materials relating to the New Zegona Shares (the "**Offering Documents**") constitutes a prospectus pursuant to the FinSA, and the Offering Documents have not been and will not be reviewed or approved by a Swiss prospectus review office in accordance with Article 51 FinSA. The Offering Documents may not be distributed or otherwise made available in Switzerland in a manner that would require the publication of a prospectus in Switzerland pursuant to the FinSA. No action has been nor will be taken to list or admit to trading the New Zegona Shares on a trading venue in Switzerland.

7.8 ***United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market)***

This Prospectus, and the information contained herein, does not constitute, and is not intended to constitute, a public offer of securities in the United Arab Emirates ("**UAE**") and accordingly should not be construed as such. The New Zegona Shares are only being offered to a limited number of exempt investors in the UAE who fall under one of the following categories of Professional Investors (as set out in Part 3, Chapter 1, Article 5 of the Securities and Commodities Authority ("**SCA**") Rulebook): (A) Professional Investors by nature; (B) Professional Investors by experience; (C) Professional Investors by evaluation; (D) An undertaking/A person handling Undertakings. The New Zegona Shares have not been approved by or licensed or registered with the UAE Central Bank, the SCA, the Dubai Financial Services Authority, the Financial Services Regulatory Authority or any other relevant licensing authorities or governmental agencies in the UAE (the "**Authorities**"). The Authorities assume no liability for any investment that the original recipient makes as a Professional Investor. This Prospectus is for the use of the original recipient only and should not be given or shown to any other person (other than employees, agents or consultants in connection with the original recipient's consideration thereof).

PART XX. ADDITIONAL INFORMATION

1. Responsibility

The Company and each of the Directors, whose names appear in paragraph 1.1 of Part XII (*Directors, Corporate Governance and Employees*) of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

2. Corporate History

2.1 *History*

The Company was incorporated in England and Wales as a limited company with company number 09395163 on 19 January 2015 under the Companies Act under the name of Zegona Communications Limited.

The Company is domiciled in England and Wales.

The principal legislation under which the Company operates and under which the Zegona Shares are, and the New Zegona Shares, will be issued is the Companies Act.

The Company's registered office is 8 Sackville Street, London, England, United Kingdom, W1S 3DG, and its telephone number is +44 20 3004 2017.

On 26 February 2015, the Company was re-registered as a public company limited by shares under the name of Zegona Communications plc.

The accounting reference date of the Company is 31 December and will remain the same after Completion. The Company's auditors are KPMG LLP ("**KPMG**") of 15 Canada Square, London, E14 5GL. KPMG were appointed as auditors on 15 December 2016 and are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

The principal activity of the Zegona Group is investing in businesses in the European TMT sector and improving their performance to deliver attractive shareholder returns.

The ISIN of the Existing Zegona Shares is GB00BVGBY890, the SEDOL code is BVGBY89 and the Company's LEI is 213800ASI1VZL2ED4S65.

The website of the Company is www.zegona.com. The contents of the Company's website does not form part of this Prospectus, unless specifically incorporated by reference.

The following is a summary of the changes in the issued share capital of the Company from 1 January 2020 to 10 November 2023 (being the last practicable date prior to publication of this Prospectus). All Existing Zegona Shares have a nominal value of 1 penny each:

Date	Nature of transaction	Price	Number of Zegona Shares issued/(redeemed)
Total Zegona Shares as of 01/01/2020	-	-	**218,970,076**
09/01/2020	Capital Return by tender offer	£1.135	(207,383)
13/01/2020	Capital Return by tender offer	£1.150	(50,000)
15/01/2020	Capital Return by tender offer	£1.150	(25,000)
16/01/2020	Capital Return by tender offer	£1.170	(207,383)
17/01/2020	Capital Return by tender offer	£1.170	(207,383)
23/01/2020	Capital Return by tender offer	£1.132	(100,000)
29/01/2020	Capital Return by tender offer	£1.0775	(207,383)
04/02/2020	Capital Return by tender offer	£1.0775	(207,383)
14/02/2020	Capital Return by tender offer	£1.0995	(200,000)
25/02/2020	Capital Return by tender offer	£1.05	(201,000)
27/03/2020	Capital Return by tender offer	£0.80	(207,383)
30/03/2020	Capital Return by tender offer	£0.80	(207,383)
31/03/2020	Capital Return by tender offer	£0.80	(207,383)
01/04/2020	Capital Return by tender offer	£0.80	(207,383)
01/07/2020	Capital Return by tender offer	£1.140	(30,654)
06/07/2020	Capital Return by tender offer	£1.16	(60,000)

Date	Nature of transaction	Price	Number of Zegona Shares issued/(redeemed)
07/07/2020	Capital Return by tender offer	£1.18	(60,000)
09/07/2020	Capital Return by tender offer	£1.16	(22,000)
10/07/2020	Capital Return by tender offer	£1.16	(23,000)
13/07/2020	Capital Return by tender offer	£1.16	(23,000)
15/07/2020	Capital Return by tender offer	£1.15	(23,000)
16/07/2020	Capital Return by tender offer	£1.16	(21,000)
22/07/2020	Capital Return by tender offer	£1.15	(21,000)
23/07/2020	Capital Return by tender offer	£1.15	(22,000)
24/07/2020	Capital Return by tender offer	£1.150	(28,000)
30/07/2020	Capital Return by tender offer	£1.175	(20,000)
31/07/2020	Capital Return by tender offer	£1.160	(20,000)
03/08/2020	Capital Return by tender offer	£1.160	(20,000)
04/08/2020	Capital Return by tender offer	£1.17	(20,000)
05/08/2020	Capital Return by tender offer	£1.170	(20,000)
07/08/2020	Capital Return by tender offer	£1.160	(20,000)
10/08/2020	Capital Return by tender offer	£1.160	(20,000)
11/08/2020	Capital Return by tender offer	£1.130	(21,000)
12/08/2020	Capital Return by tender offer	£1.110	(21,000)
04/09/2020	Capital Return by tender offer	£1.090	(7,000)
18/10/2021	Capital Return by tender offer	£1.535	(214,532,103)
25/10/2021	Increase share capital	£1.438	887,594
09/11/2022	Increase share capital	£1.438	846,857
Total Zegona Shares as of 10/11/2023			**6,172,424**

2.2 *Corporate Authorities*

(a) On 20 June 2023, a general meeting of the Company was held at which it was resolved to:

(i) authorise the Directors generally and unconditionally, for the purposes of section 551 of the Companies Act, to allot:

(1) Zegona Shares and to grant rights to subscribe for or to convert any security into Zegona Shares up to a maximum nominal amount of £20,574; and

(2) equity securities (as defined in section 560 of the Companies Act) in connection with an offer of such securities by way of a rights issue up to a maximum nominal amount of £20,574.

The authority will expire on the earlier of the end of the next annual general meeting of the Company and the date which is eighteen months after the date on which this resolution was passed, but the Company may, before such expiry, make an offer or agreement which would or might require such shares or rights to be allotted or granted after such expiry and the Directors may allot shares or grant rights under any such offer or agreement as if the authority had not expired.

(ii) authorise the Directors to allot equity securities (as defined in section 560 of the Companies Act) for cash pursuant to the authority described in paragraph 2.2(a)(i) and/or sell Zegona Shares as treasury shares for cash as if section 561 of the Companies Act did not apply to such allotment or sale:

(1) in connection with an offer of such securities by way of a rights issue; and

(2) (otherwise than pursuant to paragraph 2.2(a)(ii)(1)) up to a nominal amount of £6,172.

The authority will expire at the earlier of the conclusion of the next annual general meeting of the Company and the date which is eighteen months after the date on which this resolution was passed, but the Company may, before such expiry, make offers or enter into agreements which would or might require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

(iii) authorise the Directors to allot equity securities (as defined in section 560 of the Companies Act) for cash under the authority granted under paragraph 2.2(a)(ii) and/or to sell Zegona Shares as treasury shares for cash as if section 561 of the Companies Act did not apply to such allotment, such authority to be:

(1) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £6,172; and

(2) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment.

The authority will expire on the earlier of the conclusion of the next annual general meeting of the Company and the date which is eighteen months after the date on which this resolution was passed, but the Company may, before such expiry, make offers or enter into agreements which would or might require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

(iv) authorise the Company generally and unconditionally, for the purpose of section 701 of the Companies Act, to make market purchases (as defined in section 693 of the Companies Act) of Zegona Shares provided that:

(1) the maximum number of Zegona Shares to be purchased is 925,864;

(2) the minimum price (exclusive of expenses) which may be paid for such Zegona Shares is 1 penny per share;

(3) the maximum price (exclusive of expenses) which may be paid for such Zegona Shares is an amount equal to the higher of (i) 5 per cent. above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the higher of the price of the last independent trade of a Zegona Share and the highest current independent bid for a Zegona Share as derived from the London Stock Exchange Trading System;

(4) the authority will expire on the earlier of the end of the next annual general meeting of the Company and the date which is eighteen months after the date on which this resolution was passed; and

(5) the Company may make a contract to purchase its own Zegona Shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own Zegona Shares in pursuance of any such contract.

(v) authorise the Directors to call a general meeting other than an annual general meeting on not less than 14 clear days' notice.

(b) At the General Meeting, Zegona Shareholders will be asked to consider and, if thought fit, to pass the following resolutions:

(i) Subject to and conditional upon Admission:

(1) the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act to allot the New Zegona Shares at a price of 150 pence per New Zegona Shares up to an aggregate nominal amount of £9,386,666.67 such authority to expire on the date which is five years after the date of the General Meeting; and

(2) the Directors be empowered pursuant to sections 570 and 573 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) for

cash, pursuant to the authority conferred on them to allot such shares or grant such rights by the authority in 2.2(b)(i)(1) above, as if sub-section (1) of section 561 of the Companies Act did not apply to any such allotment, such authority to expire on the date which is five years after the date of the General Meeting.

(ii) Subject to the passing of resolutions (1) and (2) above, the waiver granted by the Panel of the obligation that would otherwise arise on Newco or any person acting in concert with Newco to make a mandatory offer to Zegona Shareholders pursuant to Rule 9 of the City Code as a result of the Acquisition and the issue to them of New Zegona Shares pursuant to the Conditional Subscription be approved.

(iii) That the Buyback Agreement produced to the General Meeting and initialled by the Chairman for the purposes of identification between the Company and Newco, pursuant to which the Company may make an off-market purchase from Newco of all of its Zegona Shares held at the time of the purchase in consideration for the set-off of a promissory note issued by Newco to the Company in respect of the issue of €900 million of New Zegona Shares pursuant to the Conditional Subscription, be and is approved in accordance with sections 693 and 694 of the Act, such approval to be valid until the date which is five years from the date of the General Meeting.

(c) Save as disclosed above and in paragraph 8 *(Terms of the Management Incentive Arrangements)* and paragraph 16 (*Material Contracts*) of this Part XX *(Additional Information*) of this Prospectus:

(i) no share or loan capital of the Company has, within three years of the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offer and the PrimaryBid Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;

(ii) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and

(iii) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option and the Company holds no treasury shares.

(d) The Zegona Shares have been and will be issued under the Companies Act and they do and will conform with the laws of England and Wales. The Zegona Shares have been and will be duly authorised according to the requirements of the Articles and have and the Company will have all necessary statutory and other consents.

(e) Immediately following Admission and Re-Admission, the Company's issued share capital is expected to be:

Issued and fully paid	
Nominal Value	**Number**
Up to 7,084,775.89	Up to 708,477,589

(i) The Existing Zegona Shares are not listed or traded on and no application has been or is being made for the admission of the Existing Zegona Shares to listing or trading on any other stock exchange or securities market.

(ii) With effect from Admission and Re-Admission, all of the Existing Zegona Shares will be in registered form and, subject to the Existing Zegona Shares being admitted to and accordingly enabled for settlement in CREST, the Existing Zegona Shares will be capable of being held in uncertificated form. No temporary documents of title will be issued.

(iii) The Existing Zegona Shares are freely transferable and there are no restrictions on transfer, subject to compliance with applicable securities laws.

(iv) 174,413,535 New Zegona Shares are being issued pursuant to the Placing, 523,240,603 New Zegona Shares are being issued pursuant to the Conditional Subscription and up to 4,651,027 New Zegona Shares are being issued pursuant to the PrimaryBid Offer at the Offer Price which represents a premium of 149 pence over their nominal value of 1 penny each. No expenses are being charged to investors in connection with any subscription for New Zegona Shares under the Placing. No expenses will be charged to investors who decide to participate in the PrimaryBid Offer by the Company or PrimaryBid. Investors are not eligible to participate in the Conditional Subscription.

(v) Each New Zegona Share will rank in full for all dividends and distributions declared made or paid after their issue and otherwise *pari passu* in all respects with each Existing Zegona Share and will have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as each Existing Zegona Share.

3. Employment and Remuneration Arrangements for the Directors and Senior Managers

Set out below is information on the current employment and remuneration arrangements for the Zegona Directors and senior managers and the arrangements in place for the year ended 31 December 2023.

3.1 *Directors' Service Agreements and Letters of Appointment*

Details of the terms of each Executive Director's service agreement are set out below.

Name	Date of Initial Appointment	Salary per annum (£)	Leave (days)(1)	Benefits on Termination	Notice Period (months)	Confidentiality Obligations
Eamonn O'Hare	19 January 2015	563,000	25	None other than payment in lieu of notice	12	Survive termination
Robert Samuelson	19 January 2015	419,000	25	None other than payment in lieu of notice	12	Survive termination

Notes

(1) In addition to UK public holidays.

Details of the terms of each Non-Executive Director's appointment with Zegona are set out below.

Name	Date of Initial Appointment	Date of Expiry of Current Office(1)	Fee per annum (£000)	Expenses	Confidentiality Obligations	Termination Provisions(4)
Richard Williams	9 November 2015	20 June 2024	50	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Survive termination	Without notice and/ or compensation if removed from office by shareholders in general meeting
Ashley Martin	6 February 2017	20 June 2024	60(2)	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Survive termination	Without notice and/ or compensation if removed from office by shareholders in general meeting
Suzi Williams	5 February 2020	20 June 2024	60(3)	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Survive termination	Without notice and/ or compensation if removed from office by shareholders in general meeting

Notes

(1) Each of the Non-Executive Directors was elected at the 2023 AGM and are expected to stand for re-election at the 2024 AGM.

(2) Includes £10,000 in recognition of chairmanship of the Audit and Risk Committee.

(3) Includes £10,000 in recognition of chairmanship of the Nomination and Remuneration Committee.

(4) In addition, at the end of any annual general meeting if not re-elected.

Save as set out above, there are no existing or proposed service agreements between any Director and any member of the Zegona Group providing for benefits upon termination of employment (other than those during the notice period under the relevant contract).

In the financial year ended 31 December 2022, the amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to each of the Directors by the Zegona Group for services in all capacities to the Zegona Group were as follows:

£	**Eamonn O'Hare**	**Robert Samuelson**	**Richard Williams**	**Ashley Martin**	**Suzi Williams**	**Kjersti Wiklund** (retired)
Total basic salary and fees	563,000	419,000	50,000	60,000	60,000	50,000
Taxable benefits	21,321	21,321	-	-	-	-
Annual cash bonus	-	-	-	-	-	-
Pension contributions	112,600	83,800	-	-	-	-
Company health insurance scheme	8,582	8,152	-	-	-	-
Total	705,503	532,273	50,000	60,000	60,000	50,000

In the financial year ended 31 December 2022, the amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to the other senior managers of the Zegona Group for services in all capacities to the Zegona Group was £1,467,776 in aggregate.

3.2 ***Pension arrangements of the Executive Directors and senior managers of Zegona***

No Director or senior manager is a member of any Zegona Group pension arrangement. The Executive Directors and senior managers may elect to receive a contribution by the Zegona Group to their individual pension arrangements, or a supplement to base salary in lieu of a pension arrangement. Contributions by the Zegona Group are calculated on base salary only.

3.3 ***Directors' and senior managers' interests in share based long-term incentive plans***

Eamonn O'Hare, Robert Samuelson and Menno Kremer have received Management Shares pursuant to their employee arrangements with the Zegona Group, further details of which are set out in paragraph 8 of Part XX (*Additional Information*) of this Prospectus. Details of the Management Shares held by each individual are set out below:

	Participation in Growth in Value	**Number of Management Shares**	**Nominal value of Management Shares**
Eamonn O'Hare	8.88%	305,000	£305
Robert Samuelson	4.44%	152,500	£153
Menno Kremer*	1.68%	57,964	£58
	15.00%	**515,464**	**£516**

*Through a Dutch company.

The Offer and the PrimaryBid Offer will not have any effect on the terms of the Management Incentive Scheme. The gross proceeds of the Offer and the PrimaryBid Offer will increase the amount of Net Invested Capital for the purposes of the Management Incentive Scheme.

3.4 ***Other interests***

The Company has provided a customary indemnity to each of the Directors to the maximum extent permitted by English law.

Except as set out in paragraph 16 *(Related Party Transactions)* of this Part XX (*Additional Information*), no Director or senior manager has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant in respect of the business of the Company and which was effected by any member of the Zegona Group during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

There are no outstanding loans granted by any member of the Company to the Directors or senior managers or any guarantees provided by any member of the Company for the benefit of the Directors or senior managers.

There are no arrangements or understandings between the Directors and senior managers and any major shareholder, customer or supplier of the Company pursuant to which any Director or senior manager was selected or will be selected as a member of the administrative, management or supervisory bodies or member of senior management of the Company.

4. Directors' and Senior Managers' Confirmations

Other than as set out below, during the last five years, no Director or senior manager has:

(a) been convicted in relation to a fraudulent offence;

(b) been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or senior management of any company;

(c) been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies);

(d) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer;

(e) been a partner in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership or voluntary arrangement, or had a receiver appointed over any partnership asset;

(f) had a receiver appointed with respect to any assets belonging to him; or

(g) has been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time during which he was a director of that company or within 12 months after his ceasing to be a director.

On 1 March 2017, Richard Williams was appointed as a director of Gobsmack Holdings Limited. The company was put into administration on 8 November 2021.

5. Conflicts of Interest

There are no conflicts of interest between any duties the Directors and senior managers have to the Company and their private interests and/or other duties they may have.

No Director or senior manager has, or had during the year ended 31 December 2022, a material interest in any significant contract with Zegona or any member of the Zegona Group.

No Director or senior manager was selected to be a Director or senior manager, respectively, pursuant to any arrangement or understanding with any major customer, supplier or other person having a business connection with the Zegona Group.

There are no family relationships between any of the Directors and senior managers.

6. Directorships and Partnerships

6.1 Details of the names of companies and partnerships (excluding directorships of the Company or of its subsidiaries) of which the Directors or senior managers are or have been members of the administrative, management or supervisory bodies or partners at any time in the five years preceding the date of this Prospectus:

Name	Current directorships / partnerships	Past directorships / partnerships
Eamonn O'Hare		Dialog Semiconductor plc Tele2 AB
Robert Samuelson	Kew Property Ltd	Euskaltel SA
Richard Williams	Gobsmack Holdings Limited (in administration) Instinct Studios Limited Envolve Technology Limited	Datamaran Limited Intelligere Limited Make Positive Limited
Ashley Martin	Ashridge Golf Club Limited YouGov plc	Perpetual Properties Limited
Suzi Williams	JD Sports plc Telecom Plus plc Deck Chair Holdings Ltd	Latitude Investment Management LLP The Workspace Group plc The AA plc

Name	Current directorships / partnerships	Past directorships / partnerships
		AA Media Limited
Menno Kremer	-	-

7. Articles of Association

The Articles contain (amongst others) provisions to the following effect:

7.1 *Variation of rights*

Where the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may, subject to the Companies Act and every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the Company (the "**Statutes**"), be varied or abrogated in such a manner as those rights may provide for or, where no such provision is made:

(a) with the consent of the holders of not less than three fourths in the nominal value of the issued shares of that class; or

(b) (excluding any shares of that class held as treasury shares) with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

Unless otherwise expressly provided by the rights attached to any class of shares, the rights attached to any shares or class of shares shall not be deemed to be varied by the creation or issue of further shares ranking in some or all respects *pari passu* with them, or by the purchase or redemption by the Company of any of its own shares.

7.2 *Transfers of shares*

Each member may transfer all or any of his shares which are in certificated form by instrument of transfer in writing in any usual or common form or in any form approved by the Directors. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.

The Directors may, in their absolute discretion, refuse to register any transfer of a share in certificated form (or renunciation of a renounceable letter of allotment) if:

(a) the transferee is or may be a Prohibited Person, or is or may be holding such Zegona Shares on behalf of a beneficial owner who is or may be a Prohibited Person;

(b) the share is not fully paid up;

(c) the transfer is not lodged at the Company's registered office or such other place as the Directors have appointed;

(d) the transfer is not accompanied by the certificate for the shares to which it relates, or such other evidence as the Directors may reasonably require;

(e) the transfer is in respect of more than one class of shares; or

(f) the transfer is in favour of more than four transferees.

The Directors shall have power to implement and/or approve any arrangements they may, in their absolute discretion, think fit in relation to the evidencing of title to and transfer of interests in Zegona Shares in uncertificated form (including in the form of depositary interests or similar interests, instruments or securities).

7.3 *Alteration of share capital*

The Company may by ordinary resolution:

(a) consolidate or consolidate then divide all or any of its share capital into shares of larger amounts than its existing shares;

(b) cancel any shares which at the date of the passing of the resolution to cancel them, have not been taken, or agreed to be taken, by any person and diminish the amounts of its share capital by the amount of shares so cancelled; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Articles (subject, nevertheless, to the provision of the Companies Act and the Statutes) and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued new shares.

Subject to the Statutes and any rights attaching to any class of shares, the Company may purchase its own shares (including any redeemable shares).

Subject to the Statutes and any rights attaching to any class of shares, the Company may by special resolution reduce its share capital, any capital redemption reserve, share premium account or other distributable reserve in any manner.

7.4 ***General meetings***

All general meetings other than the AGM shall be called general meetings.

All general meetings (other than AGMs) shall be called by at least 14 clear days' notice and an AGM shall be called by at least 21 clear days' notice, unless a longer period of notice is required in accordance with the law.

Notwithstanding the notice period specified in the previous paragraph, a general meeting (including an AGM) can be held on short notice, if so agreed by a majority of members who hold at least 95 per cent. in the nominal value of the issued shares.

The notice shall specify the place, the date and the time of the meeting, a statement that the member is entitled to appoint one or more proxies to attend, vote and speak at the meeting, the general nature of the business to be transacted at the meeting, and if any resolution is to be proposed as a special resolution the text of such resolution.

The accidental failure to give notice to any person entitled to receive notice of a general meeting, or the non-receipt by such person of such notice shall not invalidate the proceedings at that meeting.

No business other than the appointment of the chairman of the meeting shall be transacted unless a quorum of two persons entitled to vote upon the business transacted on a poll is present.

7.5 ***Directors' interests in contracts with the Company***

A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at the board meeting at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists or, in any other case, at the first board meeting after he knows that he is or has become so interested.

A director shall not vote (or be counted in the quorum at a meeting) in respect of an actual or proposed transaction or arrangement with the Company in which he is interested.

Subject to the Statutes, the Company may by ordinary resolution suspend or relax the restrictions set out in the previous paragraph.

These restrictions shall not apply and a director may (in the absence of some other material interest) vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

(a) the giving of any guarantee, security or indemnity in respect of:

   (i) money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;

   (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility (in whole or in part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

(b) the giving of any indemnity where all other directors are offered indemnities on substantially the same term;

(c) any arrangement relating to the Company funding expenditure incurred by him defending proceedings of the Company or the Company doing something to enable him to avoid incurring such expenditure where all other directors are offered substantially the same arrangements;

(d) any contract concerning an offer of shares or debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in respect of which he is or may be entitled to participate in his capacity as a holder of any securities or as a bookrunner or sub-writer;

(e) any contract in which he has an interest because of his interest in shares or debentures or other securities of the Company or because of any other interest in or through the Company;

(f) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which only gives him benefits which are also generally given to employees to whom the arrangement relates;

(g) any contract concerning another company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise, provided that he does not hold an interest in shares representing 1 per cent. or more of any class of the equity share capital of such company;

(h) any contract concerning the purchase or maintenance of insurance either or for the benefit of any director or for persons who include directors;

(i) any contract for the benefit of employees of the Company or of any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the contract or arrangement relates; or

(j) a contract relating to a pension, superannuation or similar scheme or a retirement, death, disability benefits scheme or employees' share scheme which gives the director benefits which are also generally given to the employees to whom the scheme relates.

7.6 ***Directors – general***

Unless otherwise determined by the Company by ordinary resolution, the number of directors (other than any alternate directors) shall be at least two but shall not be subject to any maximum number.

Each director shall be entitled to one vote and decisions arising at any Board meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of that meeting shall have a second or casting vote.

The directors shall not be required to hold any share of the Company by way of qualification.

The aggregate of all fees payable to the directors shall not exceed £3 million per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company.

Each director may be paid his reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company.

The directors may provide pensions, annuities or other retirement or superannuation benefits and provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for any person who is or has at any time been a director and for any member of his family (including a spouse or former spouse, civil partner, widows, widowers, children and dependants of any such persons) and any person who is or was dependent on him.

At every AGM of the Company, each director shall retire from office and may offer himself for re-appointment by the members.

Any person who is willing to act as a director, and is permitted by law, may be appointed to be a director by ordinary resolution of the Company or by a decision of the Board.

No Founder Director may be removed without a vote in favour by the majority of the Board or special resolution of the Company.

7.7 ***Directors' borrowing powers***

The directors may exercise all the powers of the Company to borrow money, to indemnify and guarantee and/or to mortgage or charge all or part of its undertaking, property, assets (present and future) and uncalled capital and, subject to the Companies Act, to issue debentures, loan stock or any other securities whether outright or as collateral security for any guarantee, debt, liability or obligation of the Company or any third party.

7.8 ***Disclosure of interests in shares***

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice under section 793 of the Companies Act (a "**Section 793 Notice**") and has failed in relation to any shares ("**Default Shares**") to give the Company the information required by the Section 793 Notice within the prescribed period from the service of the notice, the following sanctions shall apply unless the directors determine otherwise:

(a) the member shall not be entitled in respect of the Default Shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(b) where the Default Shares in which one person is interested or appears to the Company to be interested, represent 0.25 per cent. or more of the relevant class (excluding any shares of that class held as treasury shares) the member holding the Default Shares shall not be entitled, in respect of those shares, to receive any dividends or other distributions or transfer or agree to transfer any of those shares or any rights in them.

7.9 ***Share rights***

7.9.1 *Dividends*

The Company may by ordinary resolution in a general meeting declare dividends but no dividend shall be payable in excess of the amount recommended by the directors.

Insofar as it appears to the Board that they are justified by the financial position of the Company, the directors may pay interim dividends.

All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

The Board may retain any dividend or other money payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or other obligations in respect of which the lien exists.

The directors may resolve that any dividend unclaimed after a period of six years from the date such dividend became due for payment shall be forfeited.

The Company may by ordinary resolution in a general meeting, upon recommendation of the directors, direct that payments of a dividend may be satisfied wholly or in part by the distribution of non-cash assets of equivalent value, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways.

The Company may by ordinary resolution in a general meeting offer to any Zegona Shareholders the right to elect to receive Zegona Shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.

7.9.2 *Voting rights*

All members shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Subject to the Articles and any restrictions as to voting attached to any class of shares, on a show of hands, each holder of shares present in person or by proxy shall have one vote and upon a poll each such holder who is present in person or by proxy shall have one vote in respect of every share held by him.

A member shall not be entitled to vote at a general meeting personally or by proxy if any call or other sum payable by such member to the Company in respect of the share held by such member remains unpaid.

7.9.3 *Capitalisation of profits and reserves*

The directors may, with the authority of an ordinary resolution of the Company:

(a) decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's share premium account or capital redemption reserve; and

(b) appropriate any sums which they so decide to capitalise to the persons who would have been entitled to it if it were distributed by way of a dividend and in the same proportions.

7.9.4 *Winding up*

If the Company is being wound up (whether the liquidation is voluntary, under supervision or by the Court) the liquidator may, with the authority of a special resolution and any other sanction required by law:

(a) divide amongst the members in specie the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how such division shall be carried out as between the members or different classes of members; and/or

(b) vest the whole or any part of the assets in trustees, upon such trusts for the benefit of members as the liquidator, shall think fit, but so that no member shall be compelled to accept any assets in respect of which there is any liability.

8. Terms of the Management incentive arrangements

8.1 *Management incentive arrangements*

8.1.1 *General*

Zegona Management has received Management Shares in Zegona Limited pursuant to their employee arrangements with the Zegona Group. These shares give Zegona Management the right, subject to certain provisions, to receive upon exercise up to a maximum of 15 per cent. of the growth in value of the Company, subject to Zegona Shareholders achieving a preferred return of 5 per cent. per annum on a compounded basis on their Net Invested Capital plus the market capitalisation of the Company on 14 October 2021 (the date on which the Management Shares were last redeemed).

The preferred return takes into account the date and price at which shares in the Company have been issued, the date and price of any subsequent share issues and the date and amount of any relevant Shareholder Returns made by the Company to Zegona Shareholders during the relevant period. The aggregate value of all of the Management Shares will only be reduced to less than 15 per cent. of the growth in value if required to ensure Zegona Shareholders achieve the preferred return once the exercise of the Management Shares is taken into account.

The rights attached to the Management Shares may be exercised by Zegona Management at any time in the period from 14 October 2024 to 14 October 2026. Management is required to Exercise all their rights at a single time during this period.

8.1.2 *Renewal of incentive arrangements*

After an Exercise of Management Shares, the management incentive mechanism will be renewed, up to a maximum of two times, as set out below, on a similar basis such that Zegona Management will continue to have rights to 15 per cent. of the future Growth in Value of the Company, subject to Zegona Shareholders achieving their Preferred Return of 5 per cent. per annum. On renewal, Preferred Return will be calculated from a starting baseline of the Market Capitalisation of the Company on the last date the Management Shares were Exercised (provided this is not below the Net Shareholder Invested Capital).

Renewal of the management incentive mechanism is subject to Zegona Shareholder approval. At the AGM immediately following a Calculation Date, the Company will propose a resolution to continue the incentive arrangements in Zegona Limited on the above terms. If Zegona Shareholders holding 75 per cent. or more of the Zegona Shares voted on the resolution vote against it, the remaining Management Shares will immediately cease to have any rights and shall be redeemed for one penny in aggregate in cash. This will not affect previous Exercise(s) of Management Shares in any way.

8.1.3 *Operation of the Management Shares*

The Management Shares' value is expected to be delivered by the Company issuing new Zegona Shares to Zegona Management, although the Company has the right at all times to settle such value in cash. Following exercise by the holders of Management Shares in accordance with Zegona Limited's articles of association, the Company will have a right to exchange the Management Shares into Zegona Shares of the same Value and the holders of Management Shares will have a similar right to exchange their Management Shares for Zegona Shares, failing which such Management Shares will be redeemed for their value in cash.

8.1.4 *Exercise dates*

Zegona Management will have the right to serve an exercise notice on Zegona Limited at any of the following times:

(1) during any Measurement Period;

(2) on a Takeover;

(3) on the occurrence of a Board Change of Control; and

(4) on a Winding Up.

After each such Exercise those Management Shares which have not been Exercised will continue to have rights to the future Growth in Value of the Company after the Preferred Return has been achieved and will be exercisable in the next Measurement Period, save if there is a prior Takeover, Board Change of Control, or Winding Up, or the Zegona Shareholders have voted not to renew the incentive arrangements as described in paragraph 8.1.2 above. The Management Shares are subject to typical drag along and tag along provisions on a Takeover.

In the event of a Board Change of Control, the Management Shares will be entitled to 15 per cent. of all Growth in Value of the Company over the period ending on the Board Change of Control irrespective of whether delivering that value to the holders of the Management Shares would prevent the Preferred Return from being achieved.

If the relevant Management Shares are not Exercised by the end of a relevant Measurement Period, their right to value for that Measurement Period will lapse.

8.1.5 *Forfeiture*

Each member of Zegona Management has agreed that if he ceases to be involved with the Company in certain circumstances, all or a proportion of his Management Shares may be forfeited. Value for any forfeited shares will accrue to other holders of Management Shares and the entitlement to Growth in Value to holders of the Management Shares as a whole will not change.

8.1.6 *Award of Management Shares*

Further allocations of Management Shares may be made on an entirely discretionary basis to employees of the Zegona Group by the board of directors of Zegona Limited with the consent of holders of the Management Shares representing more than 50 per cent. of the Management Shares then outstanding (including at least two members of Zegona Management each holding at least 5 per cent. of the Management Shares then outstanding). Any future allocation of Management Shares will dilute the existing holders of Management Shares, but will not alter the proportion of the Growth in Value that the holders of Management Shares as a whole are entitled to, which will always be a maximum of 15 per cent.

8.1.7 *Effect of the Offer and the PrimaryBid Offer on the Management Incentive Scheme*

The Offer and the PrimaryBid Offer will not have any effect on the terms of the Management Incentive Scheme. The gross proceeds of the Offer and the PrimaryBid Offer will increase the amount of Net Invested Capital for the purposes of the Management Incentive Scheme.

9. **Significant Shareholders**

The Company is only aware of the following persons who, immediately following Admission and Re-Admission, will represent an interest (within the meaning of DTR Chapter 5) directly or indirectly, jointly or severally in 3 per cent. or more of the Company's share capital or could exercise control over the Company:

	Interests as at 10 November 2023		Interests immediately following Admission and Re-Admission[1]	
Shareholder	**Number of Existing Zegona Shares**	**Percentage of issued share capital**	**Number of Zegona Shares**	**Percentage of issued share capital**
Zegona board and management[2]	1,694,401	27.45%	1,734,400	0.24%
Marwyn Investment Management LLP	774,321	12.54%	6,004,321	0.85%
Artemis Investment Management	586,691	9.51%	586,691	0.08%
Fidelity Management & Research	403,107	6.53%	24,563,907	3.47%
Fidelity Investments Limited	392,349	6.36%	392,349	0.06%
Aberforth Partners LLP	243,744	3.95%	10,909,744	1.54%
Credit Suisse	234,469	3.80%	234,469	0.03%
Winterflood Securities	205,014	3.32%	205,014	0.03%
Petrus Advisers	200,661	3.25%	200,661	0.03%
EJLSHM Funding Limited[3]	-	-	523,240,603	73.85%
Thornburg Investment Management	-	-	32,576,000	4.60%
Alken Asset Management	-	-	29,068,000	4.10%
	4,734,757	**76.71%**	**629,716,159**	**88.88%**

Note

(1) Assuming the maximum number of New Zegona Shares are subscribed for in the PrimaryBid Offer (and none of the above persons participates in the PrimaryBid Offer (other than Richard Williams and Ashley Martin, and assuming they receive their full allocation in the PrimaryBid Offer) or acquires or disposes of any Zegona Shares prior to Re-Admission) and the Company does not issue, or undertake any buybacks of, Zegona Shares prior to Admission.

(2) Richard Williams has confirmed his intention to subscribe for approximately £40,000 of New Zegona Shares in the PrimaryBid Offer and Ashley Martin has confirmed his intention to subscribe for approximately £20,000 of New Zegona Shares in the PrimaryBid Offer.

(3) EJLSHM Funding Limited has irrevocably undertaken to Zegona and the Preference Shareholder not to vote the Zegona Shares it holds (other than in connection with a takeover where the consideration is cash).

None of the holders of the Existing Zegona Shares listed above has voting rights different from the other holders of Existing Zegona Shares. Newco has entered into the Conditional Subscription and Relationship Agreement, for further details please refer to paragraph 16 of this Part XX (*Additional Information*) of this Prospectus. Newco has entered into the Conditional Subscription and Relationship Agreement which includes the irrevocable undertaking not to vote any of its Zegona shares at any time (except in the case of a takeover where the consideration is cash). Notwithstanding the irrevocable undertaking given, there will be no effect on Newco's (or any other investor's) disclosure obligations under DTR5.

Save as disclosed in this paragraph 9, neither the Company nor the Directors are aware of any person or persons who either alone or, if connected, jointly following Admission will (directly or indirectly) exercise or could exercise control of the Company.

Insofar as known to the Company, no arrangements are in place, the operation of which may at a later date result in a Change of Control.

10. Zegona Subsidiaries

The Company is the parent company of the Zegona Group and, following Completion, will be the parent company of the Enlarged Group. The table below contains a list of the principal subsidiaries, joint ventures and associates of the Company following Completion (each of which is considered by the Directors to be likely to have a significant effect on the assessment of the assets, liabilities, the financial position and/or the profits and losses of the Enlarged Group):

Name	Country of incorporation/ residence	Proportion of ownership interest	Principal activity
Zegona Limited	Jersey/Tax resident in England	100[1]	Incentive and holding company
Zegona Topco Limited	England	100	Equity funding company
Zegona Midco Limited	England	100	Security and future finance company
Zegona Holdco Limited	England	100	Finance company
Zegona Bidco, S.L.U.	Spain	100	Acquiror under the Acquisition Agreement
Vodafone Spain	Spain	100	Target

(1) Zegona Limited's Management Shares are not classified as non-controlling interests under IFRS 10 based on the rights attaching to these share classes, and are accounted for in Zegona's consolidated financial statements as share-based payments under IFRS 2.

11. Vodafone Spain subsidiaries

The table below contains a list of the subsidiaries of Vodafone Spain:

Name	Country of incorporation/ residence	Proportion of ownership interest	Principal activity
Vodafone España, S.A.U.	Spain	100	Provision of mobile phone electronic communication services, as well as broadband services and digital television services.
Vodafone ONO, S.A.U.	Spain	100	Provision of fixed telephony communications services, the construction and operation of a fibre-optic network, internet access and audio-visual communication services.
Vodafone Servicios, S.L.U.	Spain	100	Complementary services to Vodafone Spain such as sale and billing of products (especially converged billing of mobile and fixed products) and the provision of client services.
Vodafone Energía, S.L	Spain	100	Production, marketing, sale and purchase of energy products and the provision of advisory services to third parties.

12. Takeover Bids

The Company is not aware of the existence of any takeover bid pursuant to the rules of the City Code, or any circumstances which may give rise to any takeover bid, and the Company is not aware of any public takeover bid by third parties for the Zegona Shares. The Company is subject to the City Code and therefore the Zegona Shareholders are entitled to the protections afforded by the City Code.

12.1 *Mandatory bids*

Under the City Code, if an acquisition of Zegona Shares were to increase the aggregate holding of an acquirer and its concert parties to Zegona Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstance, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding Zegona Shares at a price not less than the highest price paid for the Zegona Shares in the Company by the acquirer or its concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of Zegona Shares by a person holding (together with its concert parties) Zegona Shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights. Once a person, together with persons acting in concert with him, is interested in Zegona Shares which in aggregate carry more than 50 per cent. of the voting rights of the Company, any further acquisition of shares would not require such a general offer.

Under the City Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal and whether or not in writing) actively co-operate, through the acquisition by them of an interest in shares in a company, to obtain or consolidate control of the company. Control means holding, or having aggregate holdings, of an interest in shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give de facto control.

Immediately following Admission, Newco will hold 73.85 per cent. of the Zegona Shares. Consequently, under Rule 9 of the City Code, Newco would ordinarily be required to make a cash offer to all Zegona Shareholders to acquire their Zegona Shares.

The Panel has agreed to waive the obligation to make a general offer under Rule 9 of the City Code that would otherwise arise as a result of Newco holding more than 30 per cent. of the Zegona Shares as at Admission, subject to the approval of more than 50 per cent. of the voting rights in Zegona held by independent Zegona Shareholders. Accordingly, the independent Zegona Shareholders will be asked to approve the Rule 9 Resolution at the General Meeting. Because each member of the board of directors of Newco is also a Director, the Directors will not be entitled to vote on the Rule 9 Resolution. Newco and persons acting in concert with it are also not eligible to vote on the Rule 9 Resolution. Newco's subscription for Zegona Shares pursuant to the Conditional Subscription and Relationship Agreement is, therefore, conditional on the passing of the Rule 9 Resolution at the General Meeting.

If the Rule 9 Resolution is passed at the General Meeting, this would not restrict Newco from making a general offer for Zegona in the future.

Following redemption of the Vodafone Preference Shares and the re-designation of Newco's Zegona Shares as deferred shares, the percentage of voting rights in the Company carried by all other Zegona Shareholders will increase accordingly. The Panel has confirmed that if, as a result of any such re-designation, any Zegona Shareholder (together with persons acting in concert with it) becomes interested in shares of the Company carrying 30 per cent. or more of the voting rights in the Company, such Zegona Shareholder (and, depending upon the circumstances, any persons acting in concert with it) will incur an obligation under Rule 9 of the Takeover Code at such time. Accordingly, such person will be required to make a mandatory cash offer for all outstanding shares in the Company or, with the consent of the Panel, to dispose of interests in a sufficient number of shares of the Company to reduce their aggregate interest to below the Rule 9 threshold (in which case voting restrictions will be applied by the Panel so that, pending such disposals, the number of voting rights that are exercised by the relevant person (and any concert parties) do not exceed the Rule 9 threshold).

Zegona Shareholders should accordingly note that an interest in Zegona Shares carrying less than 30 per cent. of the voting rights in the Company may be sufficient to trigger a Rule 9 obligation upon a future re-designation of Newco's Zegona Shares as deferred shares (depending on the size of the aggregate interest in Zegona Shares before such re-designation and the number of Zegona Shares re-designated) and should therefore manage their holding of Zegona Shares in light of this.

12.2 ***Squeeze out***

Under the Companies Act, if an offeror were to make a takeover offer for the Zegona Shares and were to acquire or unconditionally contract to acquire 90 per cent. of the shares to which the offer relates, and 90 per cent. of the voting rights attached to those shares, within three months of the last day on which its offer can be accepted, it could compulsorily acquire the remaining 10 per cent.. It would do so by sending a notice to outstanding Zegona Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Zegona Shareholders. The consideration offered to the Zegona Shareholders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

12.3 ***Sell out***

The Act would also give minority Zegona Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Zegona Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Zegona Shares to which the offer relates, any holder of Zegona Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Zegona Shares.

The offeror would be required to give any Zegona Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Zegona Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Zegona Shareholder exercises his or her rights, the offeror is bound to acquire those Zegona Shares on the terms of the offer or on such other terms as may be agreed.

13. Working Capital

Zegona is of the opinion the Zegona Group has and, after taking into account the net proceeds of the Offer and the funds available under the New Facilities, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the 12 months following the date of publication of this Prospectus.

14. Significant Change

14.1 *Zegona Group*

There has been no significant change in the financial position or financial performance of the Zegona Group since 30 June 2023, the date to which Zegona's last published unaudited consolidated interim financial statements were prepared.

14.2 *Vodafone Spain*

There has been no significant change in the financial position or financial performance of Vodafone Spain since 30 June 2023, the date to which Vodafone Spain's last published unaudited interim financial statements were prepared.

15. Litigation

15.1 *Zegona Group*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during a period covering at least the previous twelve months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Company's and/or the Zegona Group's financial position or profitability.

15.2 *Vodafone Spain*

The list below describes any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Vodafone Spain is aware) which may have or have had in the recent past, significant effects on Vodafone Spain's financial position or profitability during the 12 months preceding the date of this Prospectus.

(1) In 2014, following the incorporation of Vodafone ONO into the Vodafone Group, tax irregularities were identified by the Spanish tax authorities and a penalty of approximately €72 million was imposed. As a result, three directors of Vodafone ONO were dismissed and denied their accrued bonuses, and in response two of the former directors filed individual claims against Vodafone Spain demanding payment of accrued bonuses and dismissal compensation. The outstanding claims are for amounts of approximately €0.26 million (plus interest and costs) for claims made by one director and approximately €27.3 million (plus interest and costs) for claims made by the other, which Vodafone Spain is contesting. Vodafone Spain has made provision of €33.3 million as of 31 March 2023 in respect of these outstanding claims.

    In addition, Vodafone ONO filed a claim against the directors for the same amount as that of the penalty and after several appeals, the Supreme Court ruled in favour of Vodafone ONO and the former directors were ordered to pay compensation equivalent to the VAT fees that Vodafone ONO was unable to deduct between 30 April 2014 and 31 August 2014. The enforcement claim in respect of this is ongoing.

(2) Approximately 70 dealers have initiated separate claims against Vodafone Spain as a result of termination of their individual agreements following sales channel restructurings and refinements, for a total aggregate amount of approximately €100 million. Such claims are not unusual in the Spanish telecoms industry and typically settle for significantly less than the amounts claimed. Vodafone Spain has made provision of €11.0 million as of 31 March 2023 in respect of these claims.

16. Material Contracts

16.1 *Zegona Group*

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company or another member of the Zegona Group: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to the Company or any member of the Zegona Group; or (b) at any time and contain a provision under which the Company or any member of the Zegona Group has any obligation or entitlement which is, or may be, material to the Company or any member of the Zegona Group as at the date of this Prospectus:

16.1.1 *Conditional Subscription and Relationship Agreement*

The Conditional Subscription and Relationship Agreement dated 31 October 2023 between Newco, Topco and the Company pursuant to which Newco has undertaken to the Company to subscribe for up to €900 million of New Zegona Shares in the Offer at the Offer Price (converted to Euro at the Exchange Rate), which will be payable to the Company on the earlier of 31 October 2028 and Completion, using the proceeds of the issue by Newco of the Vodafone Preference Shares. The Conditional Subscription and Relationship Agreement is conditional upon the passing of the resolutions at the General Meeting. The amount of the Vodafone Preference Shares and the amount available for Newco to subscribe for New Zegona Shares will decrease by €1 for each €2 of gross proceeds above €400 million received by the Company pursuant to the Placing. Therefore, if: (i) the Placing has not occurred prior to Completion, such amounts will be €900 million or (ii) the Company receives €600 million in gross proceeds pursuant to the Placing on or prior to Completion, such amounts with be €800 million.

Under the Conditional Subscription and Relationship Agreement, the Company will issue the New Zegona Shares to Newco in consideration of an undertaking by Newco to pay the subscription amounts to the Company, which shall be documented by a promissory note issued by Newco to the Company.

Pursuant to the Conditional Subscription and Relationship Agreement, Newco has agreed that, subject to the Company giving six months' notice to its Shareholders if the Placing has completed, the Company shall repurchase in accordance with the terms of the Buyback Agreement in the event that Completion does not occur by the Long Stop Date or any condition to the Acquisition Agreement becomes incapable of being satisfied and is not waived by the Buyer all of the New Zegona Shares issued pursuant to the agreement in consideration for the set-off of the promissory note issued by Newco to the Company in respect of the issue of €900 million of New Zegona Shares pursuant to the Conditional Subscription. The Company will consult with shareholders and will endeavour to implement the mechanism for the re-designation in such a way that takes into account relevant factors for shareholders which may include shareholding thresholds that could be breached by the re-designation.

Pursuant to the Conditional Subscription and Relationship Agreement, Newco has agreed that with effect from Admission of the New Zegona Shares issued in the Conditional Subscription, the ongoing relationship between the Company and Newco and its associates (as defined by the Listing Rules) will be governed by the Conditional Subscription and Relationship Agreement. The Conditional Subscription and Relationship Agreement includes (amongst other things) provisions to ensure that:

- transactions and arrangements with Newco (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;
- neither Newco nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and
- neither Newco nor any of its associates will propose or procure the proposal of a shareholder resolution, which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

Newco has also irrevocably undertaken not to vote any of its Zegona Shares at any time (other than in connection with a takeover where the consideration is in cash). **Zegona Shareholders should be aware that, upon any transfer of the Zegona Shares to a third party (including the Preference Shareholder), the transferee shall be entitled to exercise the voting rights attached to those Zegona Shares in full.**

Newco has agreed with the Company pursuant to the Conditional Subscription and Relationship Agreement that during (i) during the period which is six months from Completion, and (ii) at any time during which any loan or commitment under the Corporate Bridge Facility is outstanding, it will not, without the prior written consent of the Company and subject to other limited customary lock-up exceptions, sell or contract to sell, grant any option over or otherwise dispose of or encumber any Zegona Shares it holds immediately following Admission and Re-Admission (or any interest therein) or enter into any transaction with the same economic effect as any of the foregoing (the "**Lock-up Restrictions**"). The Preference Shareholder shall be entitled to transfer all but not part of the Vodafone Preference Shares to any third party (subject to: (i) that third party fulfilling certain tax-related requirements, (ii) the Preference Shareholder providing 30 days' notice to the Company and (iii) no loan or commitment under the Corporate Bridge Facility being outstanding). Following a transfer of the Vodafone Preference Shares to a party outside the Vodafone Group, Newco will be prohibited from disposing of any of its Zegona Shares for a period of six months from the date of such transfer (subject to limited exceptions and provided that such period shall not exceed the date that is three years after Completion). For the first two years following expiry of the six month lock-up period, Newco will be entitled to dispose of its Zegona Shares provided that it (i) appoints a broker from a list pre-agreed with the Company in connection with such disposal; and (ii) only disposes of the Zegona Shares in accordance with the advice of such broker to ensure that the proposed disposal does not prejudice the maintenance of an orderly market of the Zegona Shares. Such restrictions shall cease to apply after expiry of the two year period or, three years following Completion if earlier.

The aspects of the Conditional Subscription and Relationship Agreement which govern the relationship between the Company and Newco will apply for so long as Newco (and/or any of its associates) controls at least 30 per cent. of the issued ordinary share capital of the Company. The undertaking to not vote any of its Zegona Shares at any time will apply for so long as Newco holds any Zegona Shares.

Pursuant to the Conditional Subscription and Relationship Agreement, Topco has also agreed not to sell, directly or indirectly, any of its shares in Newco while any loan or commitment under the Corporate Bridge Facility remains outstanding.

16.1.2 *Buyback Agreement*

The Buyback Agreement dated 31 October 2023 between Newco and the Company pursuant to which Newco has agreed that in the event that the Acquisition Agreement terminates after New Zegona Shares have been issued to Newco pursuant to the Conditional Subscription, the Company proposes to undertake the Termination Buyback, as the purpose of issuing those New Zegona Shares to Newco is solely in respect of the Acquisition and in those circumstances the Vodafone Preference Shares will not be issued to the Seller.

In addition, to ensure that the Seller is not prejudiced by the Placing occurring after the Acquisition, Zegona agreed with Newco that if the Newco Subscription Shares are issued by Zegona to Newco pursuant to the Conditional Subscription, and the Acquisition completes before the Placing completes, Zegona will undertake the Oversubscription Buyback. The proceeds of any such Oversubscription Buyback are expected to be used by Newco to pay the preferential dividends on the Vodafone Preference Shares and to redeem the Vodafone Preference Shares.

Both the Termination Buyback and the Oversubscription Buyback are conditional upon, amongst other things (i) approval of the Buyback Resolution to be proposed at the General Meeting, (ii) Zegona having sufficient distributable reserves, and (iii) Zegona having given Zegona Shareholders six months' notice of the relevant buyback. The Oversubscription Buyback is also conditional upon (i) the Placing completing and having raised gross proceeds of more than €400 million, and (ii) Newco being issued with New Zegona Shares in accordance with the Conditional Subscription and Relationship Agreement. The Termination Buyback is also conditional on termination of the Acquisition Agreement in accordance with its terms.

16.1.3 *Assignment and Set-Off Deed*

The Assignment and Set-off Deed dated 31 October 2023 between the Company, Newco, Zegona Limited, Zegona Topco, Zegona Midco, Zegona Holdco, the Buyer and the Seller pursuant to which the parties agreed that upon completion of the Acquisition:

- the receivable relating to the subscription monies owed by the Seller to Newco under the terms of the subscription agreement relating to the Vodafone Preference Shares (the "**Receivable**") be assigned to the Company, to be set-off against Newco's obligations to pay the subscription price for the New Zegona Shares subscribed for by Newco pursuant to the Conditional Subscription;
- immediately following such assignment, the Receivable be subsequently assigned by the Company downstream via various members of the Zegona Group to the Buyer; and
- the Receivable be set-off by the Buyer and the Seller against part of the Buyer's obligation to pay the consideration due to the Seller under the Acquisition Agreement.

16.1.4 *Placing Agreement*

The Company and the Joint Bookrunners have entered into the Placing Agreement pursuant to which the Joint Bookrunners severally agreed, on the terms and subject to the conditions contained therein, to use reasonable endeavours to procure, as agents for the Company, subscribers for the New Zegona Shares.

If any subscriber procured by the Joint Bookrunners fails to subscribe for the New Zegona Shares which they have agreed to subscribe for, the Joint Bookrunners have severally agreed, in specific proportions, to themselves subscribe for such New Zegona Shares at the Offer Price as principals.

The Placing is conditional on, amongst other things, (i) the lifting of the current suspension of the Zegona Shares to trading on the Main Market by not later than Admission; (ii) Admission having occurred not later than 8.00 a.m. on 17 November 2023 (or such later time or date as the Global Co-ordinator may agree with the Company, being not later than 24 November 2023); (iii) the Placing Agreement having become unconditional in all respects and not having been terminated prior to Admission; and (iv) the passing of the resolutions (without amendment) at the General Meeting. If any of the conditions are not satisfied or, if applicable, waived, then the Placing will not occur.

The Company has given certain customary representations and warranties to the Joint Bookrunners as to the accuracy of the information contained in this document and other relevant documents, and in relation to other matters relating to, among other things, the Zegona Group and its business. In addition, the Company has given customary indemnities to the Joint Bookrunners and certain persons connected with each of them. The Company has also provided certain customary undertakings to the Joint Bookrunners for the period following Admission, including an undertaking (subject to certain exemptions) not to offer, inter alia, issue or grant any rights over any Shares or related securities for a period ending 180 days from the date of the Re-Admission without the prior consent of the Global Co-ordinator (acting solely in its capacity as global co-ordinator in connection with the Placing and such consent not to be unreasonably withheld or delayed). The Global Co-ordinator also has the right to terminate the Placing Agreement, exercisable in certain circumstances, prior to Admission.

16.1.5 *Agreement with PrimaryBid*

On 11 November 2023, the Company entered into an agreement with PrimaryBid whereby PrimaryBid was appointed to carry out various functions in relation to the PrimaryBid Offer, including preparing marketing materials, inviting prospective investors to participate in the PrimaryBid Offer and overseeing the settlement and transmission of the proceeds from the PrimaryBid Offer to the Company. The Company has agreed to remunerate PrimaryBid based on the gross proceeds raised in the PrimaryBid Offer. The agreement is governed by, and construed in accordance with, English law. The Company has agreed to indemnify PrimaryBid against certain liabilities.

16.1.6 *Transaction Documents*

Summaries of the other material agreements entered into by the Zegona Group in connection with the Transaction are contained in paragraphs 5, 6 and 7 of Part VIII (*Information about the Transaction*) of this Prospectus.

16.2 *Vodafone Spain*

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Vodafone Spain: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to Vodafone Spain; or (b) at any time and contain a provision under which Vodafone Spain has any obligation or entitlement which is, or may be, material to Vodafone Spain as at the date of this Prospectus.

16.2.1 *Vantage Master Services Agreement*

On 24 September 2020 (effective date 18 March 2020), Vodafone España and Vantage Towers entered into a framework agreement for the use of Vantage Towers' passive telecommunications infrastructure by Vodafone España (and amended on 16 November 2020 and on 31 March 2023) (the "**Vantage Master Services Agreement**"). The Vantage Master Services Agreement and associated agreements were negotiated in the context of an affiliated relationship between Vodafone España and Vantage Towers (prior to the spin-off of Vantage Towers). The Vantage Master Services Agreement sets out the terms and conditions for the use, by Vodafone España, of certain physical and electromagnetic field space on the passive infrastructure to install and operate its equipment for the transmission and/or reception of signals over communication networks.

The services that Vantage Towers shall supply to Vodafone España under the Vantage Master Services Agreement comprise the following:

- hosting services: offering and managing space on passive infrastructure to host Vodafone España's equipment;

- energy services in respect of passive infrastructure;
- site modification services;
- built-to-suit services;
- site access management and site operation and maintenance services; and
- electromagnetic field management and support services, only if required by Vodafone España.

Pursuant to the Vantage Master Services Agreement, Vodafone España shall pay service charges, energy charges and any non-recurring charges for the services supplied by Vantage Towers. In addition Vodafone España shall pay to Vantage Towers a "Top-Up-Fee" of €28 million per annum subject to adjustments for all sites where Orange Spain installs its active equipment pursuant to a separate sharing agreement between Vodafone España and Orange Spain ("**Orange Crossed sites**"). The "Top-Up Fee" is adjusted depending on the number of Orange Crossed sites and other factors.

The Vantage Master Services Agreement caps the liability of Vodafone España in any year at a maximum amount of 10 per cent. of the amount of the service charge in the immediately preceding year (subject to certain exceptions including liability for death or personal injury resulting from negligence).

The Vantage Master Services Agreement expressly excludes certain services including: permits and compliance in relation to electromagnetic fields, maintenance of Vodafone España's equipment, health, safety and environmental accountability, installing, commissioning or decommissioning of Vodafone España's equipment, negotiating and managing contracts for third parties, identifying new active equipment requirements and (in certain cases) power supply.

Vodafone España may designate sites as either "strategic" or "critical" sites from a network management perspective, with the effect that a special charge shall be applied by Vantage Towers. The total number of either of these sites must not, at any time during a contract year, exceed 10 per cent. of the total number of sites.

Pricing offered by Vantage Towers to Vodafone España in relation to certain types of site are no less favourable than the prices Vantage Towers offers to other customers.

16.2.2 *Vantage Towers LTA*

On 24 September 2020 (effective date 18 March 2020), Vodafone España and Vantage Towers entered into a long-term services agreement (the "**Vantage Towers LTA**") by virtue of which Vodafone España provides Vantage Towers with:

- shared administrative office facilities;
- human resources support and other human resources managed services, which include car fleet right of use, courier services and shuttle services;
- local supply chain management;
- management services (which include real time tracking of the provision of the operation and maintenance services or management of tenants incidents arising in relation to the sites owned by Vantage Towers;
- local office IT services;
- cyber security services;
- remote tools services;
- local business support systems services;
- local operations support systems services;
- other facilities' related services; and
- reports of criminal activity services.

The Vantage Towers LTA also provides for potential services to be provided by Vantage Towers to Vodafone España, although as at the date of the Vantage Towers LTA no such services had been identified. The Vantage Towers LTA provides for the service recipient to pay service charges for services provided in line with agreed charging principles.

The Vantage Towers LTA caps liability of Vodafone España as the service provider in any year at 100 per cent. of the amount of the service charge in the immediately preceding year (subject to certain exceptions including liability for death or personal injury resulting from negligence).

The Vantage Towers LTA may be terminated following a change of control of Vantage Towers, if control of Vantage Towers is acquired by a competitor of Vodafone España or of any of the companies within Vodafone Group in any jurisdiction in Europe where they operate.

16.2.3 *Vantage Towers Indemnity Agreement*

On 24 September 2020, Vodafone España and Vantage Towers entered into an indemnity agreement which allocates the liability of the parties as of the effective date of the spin-off of Vantage Towers, by virtue of which Vodafone España transferred certain tower business assets in Spain to Vantage Towers (the "**Vantage Towers Indemnity Agreement**").

Pursuant to the Vantage Towers Indemnity Agreement, Vantage Towers shall keep Vodafone España indemnified against:

- All claims arising from the joint and several liability of Vodafone España or any member of its group of companies:
- In relation to the assumed liabilities set out in Spain's article 80 of the Law 3/2009 on Structural Changes36;
- Under article 57 of the Spanish Corporate Income Tax Act for any amounts due by Vantage Towers37; or
- Any losses derived from taking any reasonable action to avoid any of the above claims.

Vodafone España shall keep Vantage Towers indemnified against:

- All claims arising from article 57 of the Spanish Corporate Income Tax Act for any amounts due by Vodafone España or any other company of its tax group of companies; and
- Any losses derived from taking any reasonable action to avoid any of the above claims.

17. Related Party Transactions

17.1 *Zegona Group*

Save as disclosed in each of the financial statements of Zegona for the financial years ended 31 December 2022, 2021 and 2020 (Note 24 of the 2022 Zegona Annual Report and Note 27 of the 2021 Zegona Annual Report), and in the unaudited consolidated interim financial statements for the six months ended 30 June 2023 and 2022, each of which are incorporated by reference into this Prospectus, Zegona has not entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) during the period covered by the historical financial information and up to the date of this Prospectus.

17.2 *Vodafone Spain*

Save as disclosed in each of the financial statements of Vodafone Spain for the financial years ended 31 March 2023, 2022 and 2021 (note 23), and in the unaudited interim financial statements for the three months ended 30 June 2023 and 2022 (note 7), Vodafone Spain has not entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) during the period covered by the historical financial information and up to the date of this Prospectus.

18. Consents

18.1 Ernst & Young LLP has given and has not withdrawn its written consent to the inclusion in this Prospectus of its accountant's report as set out in Part XIII (*Historical Financial Information*) of this Prospectus and the references to such report, and has authorised the contents of its report for the purposes of item 1.3 of Annex 1 of the Prospectus Regulation. A written consent under the Prospectus Regulation is different from a consent filed with the SEC under section 7 of the U.S. Securities Act. As the Zegona Shares have not been and will not be registered under the U.S. Securities Act, Ernst & Young LLP has not filed and will not be required to file a consent under the U.S. Securities Act.

18.2 KPMG LLP has given and has not withdrawn its written consent to the inclusion in this

Prospectus of its accountant's report as set out in Part XVI (*Unaudited Pro-Forma Financial Information on the Enlarged Group*) of this Prospectus and the references to such report, and has authorised the contents of its report for the purposes of item 1.3 of Annex 1 of the Prospectus Regulation.

18.3 Each of the Joint Bookrunners has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its name in the form and context in which it is included.

19. **General**

19.1 The total costs (including fees and commissions) (exclusive of recoverable VAT) payable by the Company in connection with the Offer are estimated to amount to £11 million. The estimated net cash proceeds accruing to the Company from the Offer and the PrimaryBid Offer will be up to £1,042 million.

19.2 The financial information set out in this Prospectus relating to the Company, the Zegona Group and Vodafone Spain does not constitute statutory accounts within the meaning of section 434 of the Companies Act.

19.3 There are no arrangements in place under which future dividends are to be waived or agreed to be waived.

19.4 The Offer Price is payable in full in cash on acceptance.

20. **Documents Available for Inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Company's registered office and on the Company's website at www.zegona.com (subject to certain access restrictions) for a period of 12 months from the date of this Prospectus:

(a) this Prospectus;

(b) the Articles;

(c) the circular, including the notice of General Meeting;

(d) the Zegona Annual Reports;

(e) the Zegona Half Year Results 2023 Statement;

(f) the financial information set out in Sections A and B of Part XIII (*Historical Financial Information*) of this Prospectus together with the related report from Ernst & Young LLP which is set out in Section B of Part XIII (*Historical Financial Information*) of this Prospectus;

(g) the pro forma financial information set out in Section B of Part XVI (*Unaudited Pro Forma Financial Information of the Enlarged Group*) of this Prospectus together with the related report from KPMG LLP which is set out in Section A of Part XVI (*Unaudited Pro Forma Financial Information of the Enlarged Group*) of this Prospectus; and

(h) the letters of consent referred to in paragraph 18 above.

Dated: 13 November 2023

PART XXI. DOCUMENTS INCORPORATED BY REFERENCE

The table below sets out the information which is incorporated by reference into, and forms part of, this Prospectus. These documents are available on Zegona's website at www.zegona.com/investor-relations/annual-report-and-accounts.aspx.

Any non-incorporated parts of such documents are either not relevant for investors for the purposes of Admission or the relevant information is included elsewhere in this Prospectus. Any documents themselves incorporated by reference or referred or cross-referred to in the information incorporated by reference shall not form part of this Prospectus.

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Zegona Half Year Results 2023 Statement		
Link: https://www.zegona.com/~/media/Files/Z/Zegona/documents/june-2023-interim-financial-statements.pdf		
	Management Report	1-2
	Responsibility Statement	3
	Condensed Consolidated Statement of Comprehensive Income	4
	Condensed Consolidated Statement of Financial Position	5-6
	Condensed Consolidated Statement of Other Comprehensive Income	7
	Condensed Consolidated Statement of Financial Position	8
	Condensed Consolidated Statement of Changes in Equity	9-10
	Condensed Consolidated Statement of Cash Flows	11
	Notes to the Condensed Consolidated Interim Financial Statements	12-16
2022 Zegona Annual Report		
Link: https://staticcontents.investis.com/html/z/zegona/annual-report-2022.xhtml		
	Strategic Report, Chairman's Statement	1
	Strategic Report, Strategy and Business Model	2-3
	Strategic Report, Business and Financial Review	4-5
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	Financial Statements, Company Statement of Financial Position	50
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	Financial Statements, Company Statement of Changes in Equity	53-54
	Financial Statements, Consolidated Statement of Cash Flows	55
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	Financial Statements, Notes to the Financial Statements	57-80
2021 Zegona Annual Report		
Link: https://staticcontents.investis.com/html/z/zegona/annual-report-2021.xhtml		
	Strategic Report, Chairman's Statement	1-2
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Document	Sections	Page Numbers
2020 Zegona Annual Report		
Link: https://www.zegona.com/~/media/Files/Z/Zegona/investors/annual-report-2019.pdf		
	Strategic Report, Chairman's Statement	1-2
	Strategic Report, Strategy and Business Model	3-4
	Strategic Report, Business and Financial Review	5-11
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PART XXII. DEFINITIONS, ABBREVIATIONS AND GLOSSARY

Part A – DEFINITIONS AND ABBREVIATIONS

The following definitions apply throughout this Prospectus, unless the context requires otherwise:

"Acquisition"	the proposed acquisition of Vodafone Spain by the Buyer pursuant to the Acquisition Agreement;
"Acquisition Agreement"	the acquisition agreement dated 31 October 2023 and made between the Company, the Buyer and Vodafone Europe B.V. in relation to the Acquisition, a summary of the principal terms and conditions of which are described in paragraph 5 of Part VIII (*Information about the Transaction*);
"Adamo"	Adamo Telecom Iberia S.A.U;
"Admission"	the admission of the New Zegona Shares to the standard listing segment of the Official List and to trading on the Main Market;
"AGM"	annual general meeting;
"Annual Exempt Amount"	the tax-free allowance that an individual is allowed to make before they have to pay capital gains tax which is £6,000 for the tax year ending 5 April 2024;
"Articles"	the articles of association of the Company;
"American Tower"	means American Tower Corporation;
"Board Change of Control"	the date upon which the board of directors of either the Company or Zegona Limited includes a majority of individuals to whose appointment holders of more than 50 per cent. of the Management Shares in issue at the date of appointment (including at least two members of Zegona Management each holding at least 5 per cent. of the Management Shares) have not consented;
"Borrower"	Zegona Holdco Limited;
"Brand Licence Agreement" or "BLA"	the brand licence agreement to be entered into prior to Completion between Vodafone Group Plc, Vodafone España, Vodafone Ono, Vodafone Servicios and Vodafone Energía, a summary of the principal terms and conditions of which are described in paragraph 6 of Part VIII (*Information about the Transaction*);
"Buyback Agreement"	the buyback agreement dated 31 October 2023 between the Company and Newco, a summary of the principal terms and conditions of which are described in paragraph 16 of Part XX (*Additional Information*) of this Prospectus;
"Buyer"	Zegona Bidco, S.L.U., a company registered before the Commercial Registry of Madrid under Volume 45,651, Page 60, Sheet M-802,704, with Spanish Tax ID Number (CIF) B56308877, which has been incorporated for the purposes of entering into the Acquisition Agreement;
"CAGR"	compounded annual growth rate;
"Calculation Date"	the last date on which the Management Shares were Exercised or the right to Exercise Management Shares lapsed in relation to the relevant Measurement Period;
"Canaccord"	Canaccord Genuity Limited;
"Cellnex"	the three subsidiaries in the Cellnex Spain group On Tower Telecom Infraestructuras, S.A., Retevisión I, S.A.U. and Tradia Telecom, S.A.U;
"CEO"	chief executive officer;

"Change of Control"	the acquisition of control of the Company by any person or party (or by any group of persons or parties who are acting in concert);
"City Code"	the City Code on Takeovers and Mergers issued and administered by the Panel, as amended, modified or supplemented from time to time;
"CNMC"	the Spanish National Markets and Competition Commission;
"Commitment Letter"	the commitment letter between the Debt Underwriters and the Company dated 31 October 2023;
"Companies Act"	the Companies Act 2006 as amended, modified or supplemented from time to time;
"Company" or "Zegona"	Zegona Communications plc, a public limited company incorporated in England and Wales with registration number 09395163;
"Company Secretary"	Crestbridge Corporate Services Limited with registered office at 47 Esplanade, St Helier, Jersey JE1 0BD;
"Completion"	completion of the Acquisition;
"Conditional Subscription"	the conditional subscription for New Zegona Shares by Newco pursuant to the Conditional Subscription and Relationship Agreement;
"Conditional Subscription and Relationship Agreement"	the conditional subscription and relationship agreement dated 31 October 2023 between the Company, Newco and Topco, a summary of the principal terms and conditions of which are described in paragraph 16 of Part XX (*Additional Information*) of this Prospectus;
"Corporate Bridge Facility"	the corporate bridge facility proposed to be made available to the Borrower by the Debt Underwriters pursuant to the Senior Facilities Agreement, a summary of the principal terms and conditions of which are described in paragraph 7 of Part VIII (*Information about the Transaction*);
"CPI"	consumer price index;
"CREST"	the relevant system (as defined in CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear;
"CREST Regulations"	the UK Uncertificated Securities Regulations 2001 (as amended) including any modification or re-enactment thereof for the time being in force and such other regulations as are applicable to Euroclear and/or CREST;
"Data Protection Legislation"	any law applicable from time to time relating to the processing of personal data and/or privacy by the Company as in force at the date of this Prospectus or as re-enacted, applied, amended, superseded, repealed or consolidated, including without limitation, the UK GDPR, the UK Data Protection Act 2018 and the Privacy and Electronic Communications (EC Directive) Regulations 2003, in each case including legally binding regulations, directions and orders issued from time to time under or in connection with any such law;
"Debt Underwriters"	Deutsche Bank, Filiale Luxembourg, ING Bank N.V., Sucursal en España and UniCredit Bank AG;
"Default Share"	a share in respect of which an individual has been given notice under section 793 of the Companies Act and failed in relation to;
"Deutsche Numis"	Deutsche Bank AG, acting through its London branch (which is trading for these purposes as Deutsche Numis);

"Directors" or "Board"	the board of directors of the Company as at the date of this Prospectus, whose names are set out in paragraph 1 of Part XII (*Directors, Corporate Governance and Employees*) of this Prospectus;
"Disclosure Guidance and Transparency Rules" or "DTRs"	the disclosure guidance and transparency rules published by the FCA made in accordance with section 73A of FSMA, as amended from time to time;
"Dividend Allowance"	the amount of income from dividends that an individual can earn before tax is incurred which is £1,000 for the tax year ending 5 April 2024;
"EBITDA"	operating profit excluding depreciation of property, plant and equipment and amortisation of intangible assets;
"EEA"	the European Economic Area;
"EIU"	Economist Intelligence Unit;
"Enlarged Group"	the Zegona Group, as at and from Completion, as enlarged by Vodafone Spain;
"ERISA"	the U.S. Employee Retirement Income Security Act of 1974, as amended;
"EU" or "European Union"	an economic and political confederation of European nations which share a common foreign and security policy and co-operate on justice and home affairs;
"EU Prospectus Regulation"	EU Prospectus Regulation (2017/1129/EU);
"Euroclear"	Euroclear UK & International Limited, the operator of CREST;
"European Commission"	the EU's politically independent executive arm;
"European Union's Recovery and Resilience Facility"	a €723 billion temporary instrument that is centrepiece of the NextGenerationEU recovery plan;
"Eurostat"	the statistical office of the European Union;
"Euskaltel"	Euskaltel, S.A.;
"Exchange Rate"	£1/€1.1467, being the pound sterling/Euro exchange rate as published by the Bank of England (or as otherwise agreed) on the date immediately prior to the closing of the bookbuild for the Placing or, if the Placing does not complete, such rate on the date prior to Completion;
"Executive Directors"	Eamonn O'Hare (Chairman and Chief Executive Officer) and Robert Samuelson (Chief Operating Officer) of the Company;
"Exercise"	the process by which value is realised on Management Shares by a fixed proportion of them being redeemed, converted, or exchanged or acquired by the Company, and "Exercised" shall be construed accordingly;

"Existing Zegona Shareholder"	a holder of Existing Zegona Shares;
"Existing Zegona Shares"	the existing Zegona shares of 1 penny each in issue as at the date of this Prospectus;
"FATCA"	the Foreign Account Tax Compliance Act;
"FCA"	the Financial Conduct Authority of the United Kingdom or any successor body;
"Finetwork"	Wewi Mobile, S.L.U;
"FSMA"	the Financial Services and Markets Act 2000, as amended, modified or supplemented from time to time;
"GDP"	gross domestic product;
"GDPR"	General Data Protection Regulation (Regulation (EU) 2016/679);
"UK GDPR"	the General Data Protection Regulation (Regulation (EU) 2016/679) as incorporated into the law of the United Kingdom pursuant to the European Union (Withdrawal) Act 2018;
"General Meeting"	the general meeting of the Company expected to be held at 11 a.m. on 16 November 2023;
"Global Co-ordinator"	the lead coordinator who is given the responsibility to oversee a public offering that is issued on a worldwide basis;
"Growth in Value"	(i) on or prior to the first Calculation Date, the Company's growth calculated on the first Measurement Date by deducting the Zegona Shareholders' aggregate Invested Capital from the sum of the Company's Market Capitalisation and the aggregate of all Shareholder Returns or (ii) after the first Calculation Date, the Company's growth during the period from the previous Calculation Date up to and including the relevant Measurement Date, calculated by deducting the Zegona Shareholders' Invested Capital from the sum of the Company's Market Capitalisation at the relevant Measurement Date and Shareholder Returns for the relevant period;
"HMRC"	His Majesty's Revenue and Customs;
"IFRS"	the International Financial Reporting Standards;
"IMF"	the International Monetary Fund;
"INE"	the Instituto Nacional de Estadística;
"ING"	ING Bank N.V.;
"Initial Exercise Period"	the period between 14 October 2024 and 14 October 2026;
"Intercompany Agreements"	has the meaning given to it in risk factor A.2 *"For a period of time following Completion, the Enlarged Group will be reliant on the Vodafone Group for the provision of certain services and any disruption to such services could be costly and have a material adverse effect on the Enlarged Group's business, results of operations, financial conditions and prospectus*" of section A of Part II (*Risk Factors*) of this Prospectus;
"Invested Capital"	the Market Capitalisation of the Company on the previous Calculation Date (or, if higher, the Net Shareholder Invested Capital on that date); plus any Parent

	Subscription Proceeds from the previous Calculation Date to the next Measurement Date;
"Jazztel"	Orange Participations UK Limited (formerly Jazztel P.L.C.);
"Joint Bookrunners"	Deutsche Numis, Canaccord, ING and UniCredit;
"Global Co-ordinator"	Deutsche Numis;
"Kit Digital" programme	the Spanish Government's digital toolkit programme to boost the digitalisation of SMEs, in any sector of economic activity, and raise their level of digital maturity in accordance with the Next Generation EU recovery plan. The programme is managed by RED.ES and supported by Vodafone Spain;
"KPIs"	key performance indicators;
"Listing Rules"	the listing rules of the FCA made in accordance with section 73A of FSMA as amended from time to time;
"London Stock Exchange"	London Stock Exchange plc;
"Long Stop Date"	the date falling nine months after the date of the Acquisition Agreement or such other date as the parties to the Acquisition Agreement agree in writing;
"Lowi"	the second brand used by Vodafone;
"Lyntia"	Lyntia Networks S.A.;
"Main Market"	the Main Market of the London Stock Exchange;
"Management Incentive Scheme"	the management incentive arrangements described in paragraph 8.1 of Part XX (*Additional Information*) of this Prospectus;
"Management Shares"	A ordinary shares of 0.00001p each in the capital of Zegona Limited;
"Market Abuse Regulation"	the UK version of the EU Market Abuse Regulation (2014/596/EU) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018);
"Market Capitalisation"	means (i) on any date, the volume weighted average mid-market price of the Zegona Shares for the previous 30 trading days multiplied by the number of Zegona Shares in issue on such date or (ii) following a Takeover, the Takeover Consideration multiplied by the number of Zegona Shares in issue on the Takeover or (iii) if Zegona Limited is wound up, the cash sum which remains to be distributed after all of Zegona Limited's liabilities (excluding any amounts due to Zegona Shareholders and the Management incentive arrangements) have been paid and its assets have been realised;
"MásMóvil"	MásMóvil Ibercom, S.A.;
"Measurement Date"	the relevant date upon which the Growth in Value is to be calculated;
"Measurement Period"	the Initial Exercise Period and thereafter the period between the third and fifth anniversary of the previous Calculation Date;
"Member State"	a member of the EEA;
"Net Invested	the sum of Invested Capital as at the later of the date the Management Incentive

Capital"	Scheme was last renewed or the previous Calculation Date to the Measurement Date;
"Net Shareholder Invested Capital"	from the date the Management Incentive Scheme was last renewed, the sum of Parent Subscription Proceeds minus Parent Dividends and Parent Capital Returns;
"Newco"	EJLSHM Funding Limited, a new company incorporated in England and Wales with company number 15228873, solely to issue the Vodafone Preference Shares to the Seller and enter into the Conditional Subscription and Relationship Agreement;
"New Facilities"	the Term Loan A Facility, Corporate Bridge Facility and the Revolving Credit Facility;
"New Zegona Shares"	the new Zegona Shares to be issued in connection with the Offer and the PrimaryBid Offer;
"Non-Executive Directors"	Ashley Martin, Richard Williams, Suzi Williams;
"non-U.S. currency"	a currency other than U.S. dollars;
"Obremo"	Obremo Telecomunicaciones, S.L.U.;
"Offer"	the offer of New Zegona Shares pursuant to the Placing and the Conditional Subscription;
"Offer Price"	150 pence per New Zegona Share;
"Official List"	the Official List of the FCA;
"Omitted Services"	the services required for the ongoing operation of Vodafone Spain, which were provided to it by Vodafone Group prior to Completion, but which are not listed in the TSA;
"ONO"	Grupo Corporativo Ono, S.A;
"Orange"	Orange S.A. and its subsidiaries;
"Orange Spain"	Orange Espagne S.A.U.;
"Oversubscription Buyback"	has the meaning set out in paragraph 7.2.2 of Part VIII (*Information about the Transaction*) of this Prospectus;
"Panel"	the UK Panel on Takeovers and Mergers, the body which regulates takeovers of companies subject to the City Code;
"Parent Capital Returns"	a return of share capital, share premium or other capital reserve made by the Company;
"Parent Dividends"	a dividend paid or other distribution declared by the Company;
"Parent Subscription Proceeds"	the total ordinary share capital invested in the Company (including any Zegona Shares issued for non-cash consideration at the value determined by the Board);
"Pepephone"	the MVNO, subsequently acquired by MásMóvil in 2016;
"Personal Data"	information that relates to an identified or identifiable individual;
"PFIC"	a passive foreign investment company;

"Placing"	the institutional placing of New Zegona Shares;
"Placing Agreement"	the placing agreement dated 9 November 2023 entered into between the Company and the Joint Bookrunners relating to the Placing and further described in this Prospectus;
"Placing Announcement"	the RIS announcement titled "Proposed Placing" and released on 9 November 2023 in respect of the Placing;
"PRA"	the Prudential Regulation Authority;
"Preference Shareholder"	the holder of the Vodafone Preference Shares from time to time;
"Preferred Return"	that at the relevant Measurement Date the Market Capitalisation represents a "compound annual growth rate" (as defined in Zegona Limited's articles of association) of the Net Invested Capital as it varies over time equal to or greater than 5 per cent. per annum;
"PrimaryBid"	PrimaryBid Limited;
"PrimaryBid Offer"	the offer of up to €8 million of New Zegona Shares at the Offer Price to be made via PrimaryBid;
"Prohibited Person"	any person who by virtue of his holding or beneficial ownership of shares or warrants in the Company would or might in the opinion of the Directors: (i) give rise to an obligation on the Company to register as an "investment company" under the U.S. Investment Company Act; (ii) give rise to an obligation on the Company to register under the U.S. Exchange Act or result in the Company not being considered a "foreign private issuer" as such term is defined in Rule 3b-4(c) under the U.S. Exchange Act; or (iii) result in a U.S. Benefit Plan Investor holding shares in the Company;
"Prospectus Regulation"	the UK version of the EU Prospectus Regulation, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018;
"Prospectus Regulation Rules"	the prospectus regulation rules of the FCA made in accordance with section 73A of FSMA, as amended from time to time;
"PSA"	the procurement services agreement to be entered into shortly before Completion between the Vodafone España and Vodafone Procurement Company S.à.r.l., a summary of the principal terms and conditions of which are described in paragraph 6 of Part VIII (*Information about the Transaction*);
"QIB"	a qualified institutional buyer as defined in Rule 144A;
"QP"	a qualified purchaser as defined in section 2(a)(51) of the U.S. Investment Company Act;
"Qualified Investor"	persons, in member states of the European Economic Area, who are "qualified investors" within the meaning of Article (2)(e) of the EU Prospectus Regulation;
"Re-Admission"	the re-admission upon Completion of all the Zegona Shares in issue immediately prior to Completion, including the New Zegona Shares, to the standard listing segment of the Official List and to trading on the Main Market;
"Regulation S"	Regulation S under the U.S. Securities Act;
"Revolving Credit Facility"	the revolving credit facility proposed to be made available to the Borrower by the Debt Underwriters pursuant to the Senior Facilities Agreement, a summary of the principal terms and conditions of which are described in paragraph 7 of Part VIII

	(*Information about the Transaction*);
"RIS"	a Regulatory Information Service;
"RTSA"	the reverse transitional services agreement to be entered into at Completion between Vodafone España and VSSL, a summary of the principal terms and conditions of which are described in paragraph 6 of Part VIII (*Information about the Transaction*);
"Rule 144A"	rule 114A under the U.S. Securities Act;
"Rule 9 Resolution"	the ordinary resolution to approve the waiver of any requirement under Rule 9 of the City Code for Newco to make a general offer to Zegona Shareholders as a result of obtaining Zegona Shares representing up to 98 per cent. of the enlarged ordinary share capital of the Company as at Admission;
"SEC"	the U.S. Securities and Exchange Commission;
"Seller"	Vodafone Europe B.V., a company incorporated in the Netherlands with company number 27166573, being the seller under the Acquisition Agreement;
"Senior Facilities Agreement"	the senior facilities agreement proposed to be entered into between the Company, the Borrower and the Debt Underwriters, a summary of the principal terms and conditions of which are described in paragraph 7 of Part VIII (*Information about the Transaction*);
"SDPA"	the Spanish Data Protection Agency;
"SDRT"	Stamp Duty Reserve Tax;
"Shareholder Returns"	all Parent Dividends and Parent Capital Returns from the previous Calculation Date;
"Significant Shareholder"	a Zegona Shareholder who holds 3 per cent. or more of the Zegona Shares, current details of whom are set out in paragraph 9 of Part XX (*Additional Information*) of this Prospectus;
"South Africa"	the Republic of South Africa;
"Takeover"	(i) a takeover offer for the Company being declared wholly unconditional or (ii) a scheme of arrangement for the acquisition of the Company being declared wholly unconditional or (iii) completion of a sale of all or substantially all of the business and assets of the Zegona Group combined with a return of the net proceeds of such sale, after satisfying any other creditors of the Company, to the Zegona Shareholders;
"Takeover Consideration"	(i) in respect of a takeover offer or a scheme of arrangement made for cash, the cash price which would be received per Zegona Share or, if the consideration is otherwise than in cash, the anticipated market price of the non-cash consideration per Zegona Share at the date of the Takeover (as determined by the Board) or (ii) in respect of a sale of all or substantially all of the business and assets of the Zegona Group, the total consideration received for such business or assets, after all of Zegona Limited's other liabilities have been paid (excluding any amounts due to Zegona Shareholders and the Management incentive arrangements) divided by the number of Zegona Shares in issue;
"Target Market Assessment"	the product approval process for the purposes of the UK Product Governance Requirements;
"Tele2"	Tele2 AB;

"Telecable"	Parselaya, S.L.U. and its subsidiaries;
"Telefónica"	Telefónica de España, S.A.U. and its subsidiaries;
"Telxius"	Telxius Telecom S.A.;
"Teradata"	Teradata Ireland Limited;
"Term Loan A Facility"	the term loan A facility proposed to be made available to the Borrower by the Debt Underwriters pursuant to the Senior Facilities Agreement, a summary of the principal terms and conditions of which are described in paragraph 7 of Part VIII (*Information about the Transaction*);
"Termination Buyback"	has the meaning set out in paragraph 7.2.2 of Part VIII (*Information about the Transaction*) of this Prospectus;
"TMT"	the European technology, media and telecom sector;
"Topco"	EJLSHM Holdings Limited, a new company incorporated in England and Wales with company number 15228154, solely for the purposes of facilitating the issue of the Vodafone Preference Shares;
"Totem"	Totem Towerco Spain, S.L.U., Orange's Spanish tower company;
"Transaction"	the Acquisition and related transactions, including the Offer, the PrimaryBid Offer, Admission and Re-Admission;
"Transitional Services Agreements"	the TSA and RTSA as described in section 6 of Part VIII (*Information about the Transaction*) of this Prospectus;
"Treaty"	the U.S.-UK tax treaty;
"TSA"	the transitional services agreement to be entered into at Completion between Vodafone Spain and VSSL, a summary of the principal terms and conditions of which are described in paragraph 6 of Part VIII (*Information about the Transaction*);
"TSA Services"	the services under the TSA;
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland;
"UK Product Governance Requirements"	the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook;
"uncertificated"	recorded on the register of Zegona Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
"UniCredit"	UniCredit Bank AG, Milan Branch;
"United States" or "U.S."	the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;
"U.S. Benefit Plan Investor"	any entity (i) that is an "employee benefit plan" subject to Part 4 of Subtitle B of Title I of ERISA, (ii) that is a plan, individual retirement account or other arrangement that is subject to section 4975 of the U.S. Tax Code, or (iii) whose underlying assets are considered to include "plan assets" of any plan, account or arrangement described in the preceding (i) or (ii);
"U.S. Exchange	the U.S. Securities Exchange Act of 1934, as amended;

Act"

"U.S. Holder"	a beneficial owner of Zegona Shares that is, for U.S. federal income tax purposes (i) a citizen or individual resident of the U.S., (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the U.S. or its political subdivisions, (iii) a trust that (a) is subject to the control of one or more U.S. persons and the primary supervision of a U.S. court or (b) has a valid election in effect to be treated as a U.S. person or (iv) an estate the income of which is subject to U.S. federal income tax without regard to its source;
"U.S. Investment Company Act"	the U.S. Investment Company Act of 1940, as amended, and related rules;
"U.S. Investor Letter"	the form of U.S. qualified purchaser's letter;
"U.S. Person"	a "U.S. Person" as defined in Regulation S;
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended;
"U.S. Tax Code"	the Internal Revenue Code of 1986, as amended;
"Vantage Master Services Agreement"	the master services agreement between Vodafone Spain and Vantage Towers entered into on 24 September 2020 (effective dated 18 March 2020) and amended on 16 November 2020 and on 31 March 2023;
"Vantage Towers"	Vantage Towers, S.L.U.;
"VAT"	UK value added tax;
"Vodafone Energía"	Vodafone Energía, S.L.;
"Vodafone España"	Vodafone España, S.A.U.;
"Vodafone Preference Shares"	preference shares of €0.000001 each in the capital of Newco, having the rights set out in paragraph 7 of Part VIII (*Information about the Transaction*) of this Prospectus;
"Vodafone Group"	Vodafone Group Plc and its subsidiaries but excluding, from Completion, Vodafone Spain;
"Vodafone ONO"	Vodafone ONO, S.A.U.;
"Vodafone Servicios"	Vodafone Servicios, S.L.U.;
"Vodafone Spain"	Vodafone Holdings Europe, S.L.U.;
"Vodafone Spain Group"	Vodafone Holdings Europe, S.L.U. and its subsidiaries;
"Vodafone Spain Management"	Vodafone Spain's management team;
"VSSL"	Vodafone Sales & Services Limited;
"Winding Up"	the winding up of Zegona Limited;
"WTO"	the World Trade Organization;

"Yoigo"	the MNO, Xfera Móviles, S.A.U., acquired by MásMóvil in 2016;
"Zegona Annual Reports"	the annual reports published by Zegona for the year ended 31 December 2022, 31 December 2021 and 31 December 2020;
"Zegona Group"	the Company and its subsidiaries from time to time;
"Zegona Half Year Results 2023 Statement"	the 30 June 2023 interim results statement published by the Company on 27 September 2023;
"Zegona Improvement Plan"	the plan to materially reduce operating expenses and capital expenditure and stabilise revenues at Vodafone Spain;
"Zegona Limited"	a subsidiary of the Company, incorporated in Jersey with registered number 117602, but resident in England and Wales;
"Zegona Management"	the direct or indirect holders of the Management Shares from time to time, being, at the date of this Prospectus, Eamonn O'Hare, Robert Samuelson and Menno Kremer;
"Zegona Shareholder"	a holder of Zegona Shares; and
"Zegona Shares"	the Existing Zegona Shares together with the New Zegona Shares.

Part B – Glossary

"2G"	Second Generation Mobile System, which is based on the GSM universal standard.
"2P"	Double play.
"3G"	Third Generation Mobile System, which is based on the Universal Mobile Telecommunications System standard.
"3P"	Triple play.
"4G"	Fourth Generation Mobile System, which is based on the LTE universal standard.
"4P"	Quadplay.
"4K TV"	Television with a display format in which the horizontal screen resolution is approximately 4,000 pixels and which has resolution approximately four times that of HD television.
"5G"	Fifth Generation Mobile System.
"6G"	Sixth Generation Mobile System.
"ADSL"	Asymmetric Digital Subscriber Line.
"AI"	Artificial Intelligence.
"ARPU"	Average Revenue Per User.
"B2B"	Business to business.

"B2C"	Business to consumer.
"Charge to Bill service"	Together with the Partner Provisioning Engine service enabling Vodafone customers to purchase digital content & services from third party content partners and application stores on their devices and charge it to their Vodafone bill or prepay account.
"Cloud"	The deployment of IT infrastructure on a model that separates applications and/or data from the devices that access these applications or data. The intermediary between the access device and the application and/or data is either a network (public or private), or the internet.
"C&H"	Cloud and Hosting.
"convergent" or "converged"	The provision of both mobile and fixed line services.
"DOCSIS"	Data Over Cable Service Interface Specification.
"ESG"	Environmental, Social, and Corporate Governance.
"EURIBOR"	The Euro Interbank Offered Rate.
"FTE"	Full-time Employee/s.
"FTTH"	Fibre-To-The-Home.
"FTTN"	Fibre To The Network.
"Fixed BB"	Fixed broadband. An ultra fast business internet connection that beams through radio signals. Fixed Broadband can give an internet speed of up to 1Gbps.
"Fixed Line ARPU"	Fixed-line customer revenue divided by average number of fixed line (fixed line voice and broadband) customers.
"Fixed voice"	A voice telephone service of definite quality, provided over a fixed telephone network, between fixed termination points of that network.
"GAAP"	Generally Accepted Accounting Principles.
"GAAS"	Generally Accepted Auditing Standards.
"GDPR"	The General Data Protection Regulation.
"GHz"	Gigahertz.
"GSM"	The Global System for Mobile Communications.
"HFC"	Hybrid Fibre-Coaxial.
"Hosting"	A service through which storage and computing resources are providing to an individual or organization for the accommodation and maintenance of one or more websites and related services.

"IoT"	Internet of things.
"IP"	Internet Protocol.
"IPTV"	IPTV is a system through which television services are delivered using the internet protocol suite over a packet-switched network such as the internet.
"IP-VPN"	Internet Protocol Virtual Private Network.
"ISIN"	International Securities Identification Number.
"ISO"	International Organization for Standardization.
"LGCA"	General Law on Audiovisual Communication.
"LTE"	Long-term Evolution.
"LTR"	Lifetime Revenue.
"Mbps"	Megabits per second.
"MHz"	Megahertz.
"MNO"	Mobile Network Operator.
"Mobile"	Mobile phone.
"Mobile BB"	Mobile broadband.
"Mobile ARPU"	Mobile customer revenue divided by average number of customers. In the case of prepaid ARPU, number of active customers.
"Mobile voice"	Technology that allows users to control their phones by speaking voice commands.
"MVNO"	Mobile virtual network operator is a company providing mobile phone services directly to its customers without owning key network assets such as a licensed frequency allocation of radio spectrum and the cell tower infrastructure. These assets are leased from a MNO.
"NEBA"	New Broadband Ethernet Service, a wholesale access service.
"NEBA copper"	The regulated obligation on Telefónica to provide wholesale bitstream access services over copper lines.
"NEBA fibre"	The regulated obligation on Telefónica to provide wholesale services for virtual unbundled access to fibre bitstream.
"NEBA local"	The regulated obligation on Telefónica to provide wholesale services for virtual unbundled access to optical fibre.
"New Business"	Advanced, flexible and innovative portfolio of digital solutions for businesses, including IoT, IP-VPN and C&H.

"NGA"	Next Generation Access networks including 4G and 5G technology.
"NPS"	Net Promoter Score.
"OTT"	Over-the-top content streaming platforms.
"Partner Provisioning Engine"	An IT system that federates customers' Vodafone ID to enable seamless login to partners' content & services, and offers an interface for customers to manage bills and subscriptions.
"PayTV"	Subscription-based television services.
"PCAOB"	Public Company Accounting Oversight Board.
"Quadplay"	A bundle of four services such as broadband, television, and mobile and fixed-line voice.
"RAN"	Radio Active Network.
"RTVE"	The Corporación de Radio y Televisión Española.
"SD-WAN"	Software-defined wide area network.
"Secure Net"	A suite of security services to protect against fraud, viruses and identity theft when connected to the Vodafone Spain mobile network, offered to customers for a monthly fee.
"SEDOL"	Stock Exchange Daily Official List.
"SID"	Senior Independent Director.
"SIM"	Subscriber Identity Module.
"SME"	Small-Medium Enterprises.
"SMS"	Short Message/Messaging Service.
"SOHO"	Small Office/Home Office.
"tNPS"	Transactional Net Promoter Score.
"TV"	Television.
"VGE"	Vodafone Global Enterprise.
"VSSL"	Vodafone Sales & Services Limited.