

## **Fundación Profuturo**

Audit report and  
Annual Accounts  
at December 31, 2019

*This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation*

## Independent auditor's report on the annual accounts

To the trustees of Fundación Profuturo,

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### Opinion

We have audited the annual accounts of Fundación Profuturo (the Foundation), which comprise the balance as at December 31, 2019, the income statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Foundation/ Association as at December 31, 2019, as well as its financial performance for the year then ended, in accordance with the applicable financial reporting framework (as identified in Note 2 of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

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### Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Foundation/ Association in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### Most relevant aspects of the audit

The most relevant aspects of the audit are those that, in our professional judgment, were considered to be the most significant risks of material misstatement in our audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Most relevant aspects of the audit	How our audit addressed the most relevant aspects of the audit
<p><b>Expenses relating to aid</b></p> <p>As detailed in Note 1 and 13 to the accompanying annual accounts, the activities of Fundación Profuturo focus on granting aid to certain Foundations and Bodies in order to carry out its activities aimed at promoting education in developing countries. This aid consists of both monetary contributions (funds) and non-monetary contributions (teaching material in digital format).</p> <p>As described in note 4h, expenses are recognised on an accruals basis. Specifically, in the case of monetary aid, the expense is taken to the income statement at the time the aid is approved for the amount agreed upon the signature of the contract and therefore the commitment to carry out the action covered by the aid is signed off on. In the case of non-monetary aid, the expense accrues once the material has been received by the entities for which it is earmarked, and the associated risk has been transferred.</p> <p>Of total expenses recognised by the Foundation at December 31, 2019, €36,301 thousand correspond to expenses relating to monetary and non-monetary aid, making up the most relevant expense item for Fundación Profuturo.</p> <p>We consider this area relevant given the significance of the value of these expenses in the income statement and the importance of assessing their existence and completeness.</p>	<p>We have carried out audit procedures in relation to the recognition of expenses relating to aid, including:</p> <ul style="list-style-type: none"> <li>• Understanding the accounting policies used by Fundación Profuturo to recognise expenses relating to aid and assessing them in light of applicable legislation.</li> <li>• Test of details, on a sampling basis, over the supporting documentation for expenses relating to monetary and non-monetary aid.</li> <li>• Analysing the correct classification and recognition of expenses relating to aid taken to the income statement.</li> </ul> <p>Based on the procedures performed, no incidents have been detected that affect the existence, completeness and recognition of expenses relating to aid.</p>

### Responsibility of the President of the Board of Trustees in relation to the annual accounts

The President of the Board of Trustees is responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of Fundación Profuturo, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the President determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the President of the Board of Trustees is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the President either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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### Auditor's responsibilities for the audit of the annual accounts

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Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the President.
- Conclude on the appropriateness of the President's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's/ Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the President of the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the President of the Board of Trustees, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are, therefore, considered to be the most significant risks.

We describe these risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

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PricewaterhouseCoopers Auditores, S.L. (S0242)

A handwritten signature in blue ink, appearing to read 'S. Sánchez de Pablo García'.

Silvia Sánchez de Pablo García (21,876)

June 5, 2020

**PROFUTURO FOUNDATION.**  
**Annual Accounts**  
**31 December 2019**

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## PROFUTURO FOUNDATION

### BALANCE AT 31 DECEMBER 2019 AND 2018 (Expressed in Euros)

	NOTE	2019	2018
<b>A) NON-CURRENT ASSETS</b>		<b>3,101,262</b>	<b>4,808,391</b>
I. Intangible assets	NOTE 5	3,080,892	4,789,772
II. Property, plant and equipment		20,370	18,618
<b>B) CURRENT ASSETS</b>		<b>16,523,491</b>	<b>10,680,423</b>
I. Inventories	NOTE 7	4,868,389	3,157,819
II. Users and other receivables relating to the organisation's own activity	NOTE 6	129,973	100,309
III. Trade and other receivables	NOTE 12	1,716	774
IV. Cash and cash equivalents	NOTE 8	11,523,413	7,421,521
<b>TOTAL ASSETS (A+B)</b>		<b>19,624,753</b>	<b>15,488,814</b>
<b>A) EQUITY</b>		<b>11,438,241</b>	<b>10,207,732</b>
A-1) Shareholders' equity	NOTE 9	153,125	112,411
I. Endowment capital/social fund		32,000	32,000
II. Reserves		80,411	39,819
III. Surplus for the year		40,714	40,592
A-2) Grants, donations and bequests received	NOTE 10	11,285,116	10,095,321
I. Donations and bequests		11,285,116	10,095,321
<b>B) NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>C) CURRENT LIABILITIES</b>		<b>8,186,513</b>	<b>5,281,081</b>
I. Current payables	NOTE 11	5,687	5,852
II. Beneficiaries – Creditors	NOTE 11	173,851	1,271,766
III. Trade and other payables		8,006,975	4,003,464
1. Sundry creditors	NOTE 11	7,298,319	3,375,791
2. Personnel	NOTE 11	424,236	398,248
3. Other payables with Public Administrations	NOTE 12	284,421	229,424
<b>TOTAL EQUITY AND LIABILITIES (A+B)</b>		<b>19,624,753</b>	<b>15,488,814</b>

Notes 1 to 20 to the accompanying accounts are an integral part of the balance sheet at 31 December 2019.

# **PROFUTURO FOUNDATION**

## **INCOME STATEMENT AT 31 DECEMBER 2019 AND 2018 (Expressed in euros)**

	NOTE	2019	2018
<b>A) Surplus for the year</b>			
<b>1. Revenue from the organisation's own activity</b>	<b>NOTE 13</b>	<b>50,824,291</b>	<b>52,364,302</b>
a) Contributions from users		40,714	40,592
b) Donations and bequests taken to income in the year		50,757,227	52,323,710
c) Others revenues		26,350	-
<b>2. Expenses relating to aid and other</b>	<b>NOTE 13</b>	<b>-36,301,529</b>	<b>-38,360,991</b>
a) Monetary aid		-31,123,442	-27,775,502
b) Non-monetary aid		-5,178,087	-10,585,489
<b>3. Supplies</b>	<b>NOTE 13</b>	<b>-987,391</b>	<b>-832,577</b>
<b>4. Personnel expenses</b>	<b>NOTE 13</b>	<b>-3,626,245</b>	<b>-3,136,618</b>
a) Wages, salaries and sundry expenses		-2,580,239	-2,355,199
b) Employee benefit costs		-566,062	-492,752
b) Other benefit expenses		-479,944	-288,667
<b>5. Other operating expenses</b>	<b>NOTE 13</b>	<b>-7,814,258</b>	<b>-8,320,445</b>
<b>6. Depreciation and amortisation</b>	<b>NOTE 5</b>	<b>-1,716,109</b>	<b>-1,635,153</b>
<b>A.1) Surplus from activity</b>		<b>378,758</b>	<b>78,518</b>
<b>7. Exchange differences</b>	<b>NOTE 13</b>	<b>-338,044</b>	<b>-37,926</b>
<b>A.2) Financial surplus</b>		<b>-338,044</b>	<b>-37,926</b>
<b>A.3) Surplus before tax</b>		<b>40,714</b>	<b>40,592</b>
<b>8. Income tax</b>		<b>-</b>	<b>-</b>
<b>A.4) Change in equity recognised in surplus for the year</b>		<b>40,714</b>	<b>40,592</b>
<b>B) Income and expense recognised directly in equity</b>	<b>NOTE 10</b>	<b>51,947,022</b>	<b>42,937,019</b>
<b>9. Donations and bequests received</b>		<b>51,947,022</b>	<b>42,937,019</b>
<b>C) Reclassifications to surplus in the year</b>	<b>NOTE 10</b>	<b>-50,757,227</b>	<b>-52,323,710</b>
<b>10. Donations and bequests received</b>		<b>-50,757,227</b>	<b>-52,323,710</b>
<b>I) TOTAL SURPLUS, CHANGE IN EQUITY IN THE YEAR (A.4+B+C)</b>		<b>1,230,509</b>	<b>-9,346,099</b>

Notes 1 to 20 to the accompanying accounts are an integral part of the income statement at 31 December 2018

**PROFUTURO FOUNDATION**  
**31 DECEMBER 2019**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**(in euros)**

**(1) Activity of the entity.**

Fundación ProFuturo [the ProFuturo Foundation] (the "Foundation") is a private, non-profit and permanent foundation of Spanish nationality whose assets, according to the will of its founders, are permanently allocated to pursuing the aims of general interest that are detailed in its By-laws. It was formally established by public deed on 13 June 2016.

The Foundation's registered address, according to its by-laws, is established at calle Gran Vía, número 28, CP 28013, in the Municipality of Madrid (Spain), and local offices or branches may be established in other areas of Spain or abroad following the pertinent resolution of the Board of Trustees. The Foundation may change its registered address within Spain.

The Foundation carries out its activities mainly in Spain and in any developing countries that it deems appropriate, particularly in Africa, Latin America, and Asia, either by itself or through other public or private entities, bodies, institutions, individuals or legal entities that may serve the purposes pursued.

For the purposes of the above, the Fundación ProFuturo, with the prior agreement of the Board of Trustees, may set up foundations in other countries in accordance with the respective national legislation.

The Foundation has a separate legal personality and full legal capacity to act as from the date on which the Public Instrument of Foundation was entered in the Registry of Foundations on 28 November 2016 and, on that date, it began its operations.

The general purpose of Fundación ProFuturo is to drive and foster the education and development of children, young people and persons belonging to the most disadvantaged sectors or those at risk of social exclusion in order to help promote and generate equal opportunities in society by encouraging digital and e-learning, specifically fostering the digital education of children and young people to allow them to acquire skills through technology.

Within this framework, the Foundation has the following aims:

1. Promoting the online digital education and training of underserved children and young people and of persons at risk of exclusion by fostering the use of new information technologies and placing the necessary means at their disposal.
2. Analysing and deciding on the proposals presented to expand digital literacy in children and young people in developing countries.
3. Facilitating the professional and intellectual training of people who are in need or who are in a situation of unemployment or social maladjustment through the use of digital technologies and digital upskilling through e-learning.

The Foundation determines strategies and actions targeted at the educational development of the groups that constitute its beneficiaries, thereby contributing to offering them a future with greater and better opportunities and possibilities, increasing their capacity for long-term vision, and giving them tools that facilitate professional performance and personal development.

The activities of general interest that the Foundation carries out in compliance with its foundational purposes (own) will be the following:

- a. The promotion and development of educational projects, in cooperation with public and private institutions and entities, designed to carry out actions that favour the fulfilment of the Foundation's purposes by providing financial or any other kind of assistance.
- b. The development of all kinds of digital education programmes, including the implementation thereof in public or private institutions.
- c. Promoting, collaborating on, and/or conducting educational research, mainly in the digital area.
- d. Financing teaching, social, or cultural activities by awarding grants for studies, subsidies, or other free benefits in favour of children and young people and other members of the beneficiary groups who lack sufficient means to obtain, on their own, the benefits or results sought by the Foundation; and the awarding of prizes to entities that, by virtue of their own merits, have stood out in carrying out the aims promoted by the Foundation.

## **(2) Basis of presentation.**

### **a) True and fair view**

The annual accounts have been prepared on the basis of the accounting records of ProFuturo Foundation. The annual accounts have been prepared in accordance with applicable mercantile legislation and Spanish GAAP (Chart of Accounts) and with Royal Decree 1491/2011, of 24 October, approving the regulations for adapting the Chart of Accounts to non-profit entities, and Law 30/1994, of 24 November, concerning Foundations and Tax Incentives for Private Participation in General Interest Activities, Law 50/2002, of 26 December, concerning Foundations, Law 49/2002, of 23 December, concerning the tax framework for non-profit entities, and the two regulations implementing the aforementioned laws, so as to present a true and fair view of the Foundation's assets, financial situation at 31 December 2019 and changes in its equity, as well as its activity for the year then ended.

The annual accounts will be submitted for the approval of the ProFuturo Foundation's Board of Trustees. The Foundation's management expects the annual accounts to be approved without any changes.

### **(b) Comparative information**

The annual accounts include, for comparison purposes, for each of the items in the balance sheet, income statement and notes to the accounts, in addition to the figures for the year ended 31 December 2019, those corresponding to the previous year which formed part of the annual accounts for 2018.

### **(c) Functional currency and presentation currency**

The annual accounts are presented in Euros, which is the Foundation's functional and presentation currency.

### (3) Appropriation/Application of Surplus.

Application of the surplus for the year ended 31 December 2018, approved by the Foundation's Board of Trustees on 29 May 2019, was as follows:

	Euros
<u>Basis of appropriation</u>	
Surplus for the year	40,592
<u>Appropriation</u>	
Voluntary reserves	40,592

The proposed application of the Foundation's surplus for the year ended 31 December 2019, to be submitted to the Board of Trustees is as follows:

	Euros
<u>Basis of appropriation</u>	
Surplus for the year	40,714
<u>Appropriation</u>	
Voluntary reserves	40,714

In accordance with article 27 of the Foundations Act 50/2002, dated 26 December, at least 70 percent of the income or any other net revenue obtained by the Foundation, after tax, must be allocated to the fulfilment of the Foundation's purposes; the remainder, after deducting expenses incurred in obtaining said revenue and income, must be used to increase endowment capital or reserves. The funds must be used for that purpose within a period of four years of being obtained.

### (4) Accounting Policies Applied.

The main accounting policies used by the Foundation to draw up its annual accounts are the following:

#### (a) Intangible assets

Intangible assets are initially measured at acquisition cost and subsequently measured at cost less accumulated amortisation calculated on the basis of their useful life and any impairment adjustments made.

##### *Software:*

This includes the cost of acquiring software for the Foundation's data processing systems. Maintenance costs are taken to expenses when they are incurred. Amortisation is charged on a straight-line basis over an estimated useful life of four years.

### *Useful life and amortisation:*

The Foundation reviews the residual value, useful life and amortisation of intangible assets at the end of each financial year. Any changes to the initially established criteria are recognised as a change in estimate and would be made prospectively.

### *Asset impairment*

The Foundation regularly assesses and, where appropriate, determines impairment adjustments and reversals of impairment adjustments in intangible assets (see section (b)).

#### (b) Impairment in non-cash generating assets

All intangible assets are non-cash generating as their purpose is not to generate a commercial return but for the collective benefit, in terms of either social benefit or potential for service.

The Foundation only tests these assets for impairment when there are indications of deterioration, not based on commercial indicators but rather on the potential for service that they generate.

In any case, the events or circumstances that might be an indication of impairment must be significant and they must have long-term effects.

If there are indications of impairment, the recoverable value is the higher of fair value less costs to sell and value in use. Value in use is the present value of the asset maintaining its potential for service and is determined by reference to the depreciated replacement cost.

The impairment of non-cash generating assets is determined specifically for individual assets, unless it is not easy to identify their service potential, in which case the recoverable amount is determined at the level of the operating unit or service to which it belongs.

Impairment losses or reversals are recognised by applying the impairment criteria applicable to other non-current assets.

#### (c) Inventories

Inventories are initially measured at acquisition price or production cost. In the case of inventories received at no cost, they are measured at fair value.

All inventories are non-cash generating as their purpose is not to generate a commercial return but for the collective benefit, in terms of either social benefit or potential for service.

The Foundation recognises impairment adjustments in those cases in which the realisation value of inventories is lower than their carrying amount. Since these inventories do not generate cash flows, the net recoverable amount to be considered in determining any valuation adjustment is the higher of net realisable value and replacement cost.

The Foundation uses average weighted cost to assign value to inventories.

The Foundation makes the necessary valuation adjustments, recognising them as an expense in the income statement, when the acquisition cost (or production cost) of inventories exceeds the net realisable value.

**(d) Cash and cash equivalents**

Cash and cash equivalents include cash in current accounts.

**(e) Grants, donations and bequests.**

Grants, donations and bequests are initially recognised as income and are directly taken to equity when there is an individual agreement for awarding the grant, donations or bequests to the Foundation, the conditions established for such an award have been fulfilled and there are no reasonable doubts regarding the receipt of the award. They are recognised in the income statement as income on a systematic and rational basis in a manner correlated with the expenses derived from the grants, donations and bequests which the Foundation awards to third parties.

Grants, donations and bequests awarded by members, founders or trustees are recognised as such, unless they are awarded as endowment capital or social funds, in which case they are recognised directly in the Foundation's equity. Contributions by third parties to endowment capital are also recognised directly in equity.

Grants, donations and bequests that are monetary in nature are measured at the fair value of the amount allocated and those that are non-monetary or in kind in nature are measured at the fair value of the good received, both values by reference to the time of their recognition.

Grants, donations and bequests received without being assigned to a specific purpose are recognised as income in the year in which their award is approved.

**(f) Financial instruments**

**(i) Classification and separation of financial instruments**

Financial instruments are classified upon initial recognition as a financial asset, a financial liability or equity instrument, according to the substance of the contract and the definitions of financial asset, financial liability and equity instrument.

The Foundation classifies financial instruments in the various categories based on the characteristics and intentions of management at the time of their initial recognition.

**(ii) Financial assets**

Loans and receivables relate to commercial and non-commercial credits, such as users and other debtors of the company's own activity, customers, sundry debtors, advances and loans to employees, as well as deposits and guarantees

The financial assets included in this category are initially measured at fair value, meaning the consideration paid plus directly attributable transaction costs, and subsequently at amortised cost. However, trade loans maturing in less than one year without a contractual interest rate, and advances and loans to employees maturing in the short term are measured at their nominal amount.

On subsequent measurement, they are recognised at amortised cost. Interest accrued is recognised in the income statement, using the effective interest method.

**(iii) Impairment of financial assets**

A financial asset or a group of financial assets is impaired and impairment losses are recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Foundation follows the criteria of recognising the pertinent impairment losses on loans and receivables and debt instruments when debtor insolvency has prompted a reduction or delay in estimated future cash flows.

**(iv) Financial liabilities**

Financial liabilities, including trade and other payables, that are not classified as held for trading or as financial liabilities at fair value through profit and loss are initially recognised at fair value less, if warranted, any transaction costs that are directly attributable to their issuance. Subsequent to initial recognition, liabilities classified under this heading are measured at amortised cost. Interest accrued is recognised in the income statement using the effective interest method.

However, financial liabilities with no established interest rate, the amount of which is due or receivable in the short term and where the effect of discounting is not material are measured at their nominal value.

Borrowings and payables include current payables to fixed asset suppliers and deposits received, as well as payables to beneficiary creditors. These liabilities are initially measured at the fair value of the consideration received, adjusted for any directly attributable transaction costs. Trade payables maturing in less than a year and without a contractual rate of interest are measured at nominal value. These liabilities are subsequently measured at amortised cost and the interest accrued is recognised in the income statement, applying the effective interest method. However, trade payables maturing in less than one year and initially measured at their nominal amount continue to be measured at that amount.

**(g) Contributions on behalf of employees**

The Foundation recognises contributions to defined benefit pension schemes as the employees provide their services. The amount of accrued contributions is recognised as a personnel remuneration expense and as a liability once any amount paid has been deducted. If the amounts paid exceed the accrued expense, the related assets are only recognised to the extent that they may be applied in reducing future payments or lead to a cash reimbursement.

The Foundation has transferred these pension schemes out.

The Foundation currently has a remuneration system indexed to the price of shares in Telefónica, S.A.:

- a) Global plan for the incentive purchase of Telefónica, S.A. shares for employees of the ProFuturo Foundation.

The General Shareholders' Meeting of Telefónica, S.A. held on 8 June 2018 approved the implementation of a new global incentive purchase plan for Telefónica, S.A. shares aimed at the employees of the group. Under this Plan, employees are offered the possibility of acquiring shares in Telefónica, S.A., during a period of twelve months, and the Company commits to delivering to the plan participants, free of charge, a certain number of shares, as long as certain requirements are met.

The maximum amount that each employee can invest is 1,800 euros. Employees who remain in the Telefónica Group and hold the shares for an additional year after the purchase period (holding period) secure the right to receive one free share for every two shares acquired and held until the end of the holding period.

The purchase period began in August 2019.

The accumulated cost at year-end is accounted for as personnel expenses. The total cost of the plan that Telefónica, S.A. re-invoices to the ProFuturo Foundation will be the estimated fair value of the instruments delivered, calculated on the award date, based on the estimated number of shares to be delivered at the end of the validity period of each cycle. Once calculated, the unit fair value does not change during the cycle or on maturity.

b) "Performance Share Plan" (PSP) 2018:

At the 8 June 2018 General Shareholders' Meeting of Telefónica, S.A., the shareholders approved the launch of a new edition of the long-term incentive plan consisting of the delivery of shares based on the achievement of objectives established for each of the cycles into which the plan is divided, called the "Performance Share Plan", which is aimed at certain senior executives and members of the Telefónica Group's management team.

In the first two cycles of the plan, the number of shares to be delivered will depend on 50% compliance with the target total shareholder return (TSR) on Telefónica shares and another 50% on the generation of free cash flow (FCF).

The Plan has a total duration of 5 years and is divided into three three-year cycles. The first cycle began in 2018 and will end in December 2020, with the delivery of the corresponding shares in 2021. The second cycle of the plan began in 2019 and will end on 31 December 2021, with delivery of the corresponding shares in 2022.

(h) Income and expenses

*Expenses*

Expenses are recorded on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. In particular, expenses deriving from monetary and non-monetary aid granted to foundations and bodies for the Foundation's activities, pursuant to Royal Decree 1491/2011, of 24 October, concerning accounting principles for non-profit entities, are taken to the income statement at the time their grant is approved in the amount agreed when the contract is executed and the commitment to perform a specific action is therefore signed off on, as provided under Rule 18 of Section Five on regulations for adapting the Chart of Accounts pursuant to the aforementioned Royal Decree.

Expenses for services rendered are recognised at acquisition cost including non-deductible input VAT paid.

*Income*

Founder contributions relating to the performance of the Foundation's purpose are recognised as income in the year in which they are received, provided they relate to the expense for the year and to the foundational purpose.

Income from sponsors and collaborators arranged through Collaboration Agreements in the Foundation's favour is recognised in the year in which the monetary aid granted by the Foundation to the beneficiary body to perform the foundational activity is arranged. The relevant contract is thus signed with said beneficiary body to execute the action to which it refers, together with the commitment to perform a specific action, at which time the expense is recognised, as provided in the measurement standard for expenses deriving from monetary aid.

(i) Corporate income tax and value added tax

Non-deductible input VAT is included in the acquisition price of investment goods or working capital, and of services involving operations subject to said tax.

The Foundation is subject to the provisions of Foundations Act 50/2002, of 26 December and Law 49/2002, of 23 December, concerning the tax framework for non-profit entities, including, among others, those registered in the Registry of Foundations. Accordingly, foundations complying with the requirements set forth below will be exempt from corporate income tax on income deriving from non-exchange transactions, from the Foundation's real estate and other assets, such as dividends, interest, fees and rent, from acquisitions or transfers under any title of goods or rights, that obtained in exempt economic operations, and, that which, pursuant to tax law, must be attributed or allocated to non-profit entities. The requirements under said Law are as follows:

Pursue general interest purposes of a social, civic, cultural, sporting nature, in connection with fostering social volunteering, etc.

Use at least 70 percent of net income and other revenue obtained in any other manner in the performance of said purposes, deducting, where applicable, the relevant taxes, within a period of four years of obtaining it.

The activity performed may not consist of performing economic operations other than the statutory aim or purpose. This requirement will be considered to be fulfilled if net turnover for the year corresponding to the non-exempt economic operations as a whole not associated with the Foundation's statutory purpose or aim does not exceed 40 percent of the Foundation's total revenue, provided that the performance of these non-exempt economic operations does not breach the regulatory rules on competition in relation to companies performing the same activity.

The founders, members, trustees, statutory representatives, members of the governing bodies and their spouses or relatives to the fourth degree are not the main recipients of the activities performed by the entities or benefit from special conditions for using their services.

Report annually to the relevant supervisory body.

Apply its assets, in the event of dissolution, to purposes in the general interest like those of its foundational activity, in accordance with the provisions of the Foundation's bylaws.

Trustee positions are not remunerated, although trustees may be reimbursed for duly justified expenses incurred in performing their functions.

The accounting obligations provided in the applicable regulations must be fulfilled.

A financial report must be compiled annually.

The Foundation is compliant with all the above-mentioned requirements which are set out in its by-laws.

(j) Classification of current and non-current assets

In the balance sheet, the Foundation classifies assets and liabilities as either current or non-current. In this connection, current assets and liabilities are those that meet the following criteria:

Assets are classified as current when they are expected or intended to be sold or consumed after the normal operating cycle of the Foundation, they are held primarily for trading purposes and are expected to be realised within twelve months after the balance date or are cash or cash equivalents, except where they cannot be exchanged or used to settle a liability, at least within twelve months of the balance date.

Liabilities are classified as current when they are expected to be settled in the normal operating cycle of the Foundation, they are held primarily for trading, they must be settled within twelve months of year-end, or the Foundation does not have the unconditional right to defer cancellation of the liabilities within twelve months of the year-end.

Financial liabilities are classified as current when they must be settled within twelve months of the balance date, even if the original period exceeds twelve months and there is a refinancing agreement or long-term payment restructuring arrangement which has concluded after the balance sheet date and before the annual accounts are authorised for issue.

#### (k) Foreign currency transactions, balances and flows

Foreign currency transactions are translated to the presentation currency using the exchange rates valid on the transaction dates.

Monetary assets and liabilities denominated in foreign currency are translated to euros applying the year-end exchange rate, while non-monetary assets and liabilities measured at historical cost are translated by applying the exchange rate on the date on which the transactions took place.

The foreign currency gains and losses resulting from settling these transactions and translation at closing exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### **(5) Intangible assets.**

Details of this balance heading at 31 December 2019 and 2018 are as follows:

	31.12.18	Additions	Transfers	31.12.19
Software	6,835,520	-		6,835,520
<b>Total cost</b>	<b>6,835,520</b>	<b>295,954</b>		<b>6,835,520</b>
Amortisation of software	-2,045,748	-1,630,710		-3,754,628
<b>Accumulated amortisation</b>	<b>-2,045,748</b>	<b>-1,630,710</b>		<b>-3,754,628</b>
<b>Total assets</b>	<b>4,789,772</b>			<b>3,080,892</b>

	31.12.17	Additions	Transfers	31.12.2018
Software	3,984,357	-	2,851,163	6,835,520
Software under development	2,555,209	295,954	-2,851,163	-
<b>Total cost</b>	<b>6,539,566</b>	<b>295,954</b>	-	<b>6,835,520</b>
Amortisation of software	-415,038	-1,630,710	-	-2,045,748
<b>Accumulated amortisation</b>	<b>-415,038</b>	<b>-1,630,710</b>	-	<b>-2,045,748</b>
<b>Total assets</b>	<b>6,124,528</b>			<b>4,789,772</b>

At year-end 2019, the Foundation's intangible assets comprise digital content developed by third parties for inclusion in the ProFuturo technological solution.

The Foundation has not recognised in intangible assets any assets with an undefined useful life, and neither has it capitalised any financial expenses.

At 31 December 2019 and 2018, the Foundation had no purchase commitments in relation to intangible assets.

At 31 December 2019 and 2018, there were no fully amortised intangible assets.

#### (6) Current financial assets by category.

Details of this balance sheet heading at 31 December 2019 and 2018 are as follows:

	31.12.19	31.12.18
<i>Current loans and receivables:</i>		
Users and other receivables relating to the organisation's own activity	129,973	100,309
<b>Total</b>	<b>129,973</b>	<b>100,309</b>

The heading "Users and other receivables relating to the organisation's own activity" on the accompanying balance sheet includes collection rights due in less than one year as well as the advances paid by the Foundation to certain employees.

The movement in this heading is as follows:

	31.12.18	Additions	Disposals	31.12.19
Users and other receivables relating to the organisation's own activity	100,309	29,664	-	129,973

  

	31.12.17	Additions	Disposals	31.12.18
Users and other receivables relating to the organisation's own activity	250,667	-	150,358	100,309

In 2019 and 2018, no impairment adjustments were made.

#### (7) Inventories.

At 31 December 2019 and 2018, the Foundation recognised under Inventories on the Balance sheet the assets used to conduct its own activity, mainly tablets and computers in which educational content is installed.

The breakdown of this heading is as follows:

	31.12.19	31.12.18
Assets used in the activity	4,868,389	3,157,819
<b>Total</b>	<b>4,868,389</b>	<b>3,157,819</b>

At 31 December 2019 and 2018, there are no firm sale and purchase commitments or future or options contracts relating to inventories. Neither are there any litigations or attachments that might affect the ownership, availability or valuation of the inventories.

At 31 December 2019 and 2018 there were no impairment adjustments in inventories.

#### **(8) Cash and cash equivalents.**

Details of this Balance sheet heading at 31 December 2019 and 2018 are as follows:

	31.12.19	31.12.18
Banks	11,523,413	7,421,521
<b>Total cash and cash equivalents</b>	<b>11,523,413</b>	<b>7,421,521</b>

This heading includes cash deposited in the Foundation's current accounts. In 2019 and 2018, the Foundation did not make any temporary financial investments, and kept all monetary contributions received in its current account.

#### **(9) Shareholders' equity.**

The breakdown of "Shareholders' equity" at 31 December 2019 and 2018 is as follows:

	Endowment capital	Reserves	Surplus for the year	Total
<b>Balance at 31.12.18</b>	<b>32,000</b>	<b>39,819</b>	<b>40,592</b>	<b>112,411</b>
Application of the surplus in 2018	-	40,592	-40,592	-
Surplus in 2019	-	-	40,714	40,714
<b>Balance at 31.12.19</b>	<b>32,000</b>	<b>80,411</b>	<b>40,714</b>	<b>153,125</b>

	Endowment capital	Reserves	Surplus for the year	Total
<b>Balance at 31.12.17</b>	<b>32,000</b>	<b>4,992</b>	<b>34,827</b>	<b>71,819</b>
Application of the surplus in 2017	-	34,827	-34,827	-
Surplus in 2018	-	-	40,592	40,592
<b>Balance at 31.12.18</b>	<b>32,000</b>	<b>39,819</b>	<b>40,592</b>	<b>112,411</b>

#### **(a) Endowment capital**

At 31 December 2019 and 2018, endowment capital comprised initial monetary contributions of EUR 15,000 from "La Caixa" Bank Foundation, EUR 15,000 from Fundación Telefónica and EUR 2,000 from Telefónica S.A. At the end of both financial years, endowment capital amounted to EUR 32,000.

#### (b) Reserves

At 31 December 2019, reserves include an amount of EUR 80.411 corresponding to voluntary reserves from the surplus for 2016, 2017 and 2018.

#### (10) Grants, donations and bequests received.

Details and movements in the years ended 31 December 2019 and 2018 are as follows:

	31.12.18	Additions	Recognition in income statement	31.12.19
<b>Monetary donations for specific projects</b>	<b>7,522,091</b>	<b>51,947,022</b>	<b>-49,761,138</b>	<b>9,707,975</b>
Fundación Telefónica	-	33,947,022	-	-
"La Caixa" Bank Foundation	-	18,067,000	-	-
<b>Donations – assets</b>	<b>2,573,230</b>	-	<b>-996,089</b>	<b>1,577,141</b>
Fundación Telefónica	2,573,230	-	-996,089	1,577,141
<b>Donations – inventories</b>	-	-	-	-
Fundación Telefónica	-	-	-	-
"La Caixa" Bank Foundation	-	-	-	-
<b>Total</b>	<b>10,095,321</b>	<b>51,947,022</b>	<b>-50,757,227</b>	<b>11,285,116</b>

	31.12.17	Additions	Recognition in income statement	31.12.18
<b>Monetary donations for specific projects</b>	<b>15,699,588</b>	<b>42,937,019</b>	<b>-51,114,516</b>	<b>7,522,091</b>
Fundación Telefónica	-	29,962,051	-	-
"La Caixa" Bank Foundation	-	12,974,968	-	-
<b>Donations – assets</b>	<b>3,569,319</b>	-	<b>-996,089</b>	<b>2,573,230</b>
Fundación Telefónica	3,569,319	-	-996,089	2,573,230
<b>Donations - inventories</b>	<b>213,105</b>	-	<b>-213,105</b>	-
Fundación Telefónica	72,156	-	-72,156	-
"La Caixa" Bank Foundation	140,949	-	-140,949	-
<b>Total</b>	<b>19,482,012</b>	<b>42,937,019</b>	<b>-52,323,710</b>	<b>10,095,321</b>

Monetary donations for specific projects include donations from Fundación Telefónica and "La Caixa" Bank Foundation. These donations are legally documented in the collaboration agreements signed with the two foundations, which include the financing for the development of the ProFuturo programme. The contributions from the two entities are paid into a single account for executing the ProFuturo programme, with no distinction in terms of the use of funds according to the donor.

Donations of inventories include the value of equipment donated by the two foundations, which ProFuturo has subsequently given to collaborating entities along with the equipment purchased by ProFuturo.

Donations of fixed assets comprise assets donated by Fundación Telefónica. These relate to a series of content developed specifically to implement the ProFuturo programme.

#### (11) Current financial liabilities by category.

Details of this Balance heading at 31 December 2019 and 2018 are as follows:

	31.12.19	31.12.18
<i>Current creditors and payables:</i>		
<b>Current payables</b>	<b>5,687</b>	<b>5,852</b>
Fixed asset suppliers	5,687	5,852
<b>Beneficiaries – Creditors</b>	<b>173,851</b>	<b>1,271,766</b>
<b>Trade and other payables</b>	<b>7,722,554</b>	<b>3,774,040</b>
Sundry creditors	7,298,319	3,375,791
Accrued wages and salaries	424,236	398,249
<b>TOTAL</b>	<b>7,902,093</b>	<b>5,051,657</b>

The heading “Current payables” includes the amounts pending payment to fixed asset suppliers as a result of the acquisition of IT equipment.

The heading “Beneficiaries – Creditors” includes monetary donations pledged to entities collaborating with the ProFuturo Foundation and pending disbursement.

Furthermore, the heading “Sundry creditors” includes amounts pending payment for services rendered to the Foundation.

#### “Disclosures on Deferred Payments to Suppliers. Third Additional Provision ‘Duty of Information’ of Law 15/2010, of 3 December.”

The following are the details of the disclosures required by Additional Provision Three of Act 5/2010, 5 July (amended by Final Provision Two of Act 31/2014, 3 December) prepared in accordance with the ICAC Resolution of 29 January 2016, on the disclosures to be included in the notes to the individual annual accounts in relation to the average payment period to Spanish suppliers on commercial transactions.

The breakdown is as follows:

	2019 (days)	2018 (days)
<b>Average payment period to suppliers</b>	<b>46.9</b>	<b>34.2</b>
Ratio of transactions paid	50.6	35.3
Ratio of outstanding payment transactions	33.1	26.6
	2019 (thousand euros)	2018 (thousand euros)
<b>Total payments made</b>	<b>-8,139</b>	<b>-8,031</b>
<b>Total payments outstanding</b>	<b>-2,186</b>	<b>-1,144</b>

For the exclusive purposes of providing the disclosures envisaged in this Resolution, suppliers are deemed to be commercial creditors holding debts for the supply of goods or services, included under Trade and other payables in current liabilities on the balance sheet.

“Average payment period to suppliers” means the period between the delivery of the goods or the rendering of services by the supplier and the material payment of the transaction.

## **(12)Taxation**

The details of balances with Public Entities at 31 December 2019 and 2018 are as follows:

	<b>31.12.19</b>	<b>31.12.18</b>
<b>Assets</b>	<b>1,716</b>	<b>774</b>
Public Administrations, other	1,716	774
<b>Liabilities</b>	<b>284,419</b>	<b>136,405</b>
Social Security payable	52,980	48,732
Tax withholdings payable	231,439	180,693
<b>Total</b>	<b>286,136</b>	<b>229,425</b>

In accordance with legislation in force, the Foundation's tax filings may not be considered definitive until they have been inspected by the tax authorities or after the four-year statute of limitations has elapsed. At 31 December 2019, the returns for the taxes applicable to the Foundation since its formation are open to inspection. The members of the Foundation's Board of Trustees do not expect any significant additional liabilities to arise in the event of an inspection.

### **(a) Income tax**

In accordance with Title II of Law 49/2002 of 23 December 2002 on the tax regime for non-profit organisations, foundations are exempt from corporate income tax on the following income, among other, donations and grants received to collaborate in the Foundation's purposes and economic aid received by virtue of the business collaboration agreements regulated by article 25 of that Law; grants, except those awarded to finance the performance of non-exempt economic operations; income from the Foundations' real estate and other assets, such as dividends, interest, fees and rent; and income obtained from the performance of the exempt economic operations listed in article 7 of that Law. Accordingly, the taxable amount of foundations will only include income from non-exempt economic operations.

The ProFuturo Foundation has opted for the special tax framework of Title II of Law 49/2002, dated 23 December, which it duly notified to the Tax Authority on 14 February 2017.

Moreover, in compliance with the provisions of article 3.1.a) of the regulation for the application of the tax framework for non-profit entities and tax incentives for patronage (Royal Decree 1270/2003, of 10 October), we identify below which of the Foundation's income is exempt from corporate income tax at 31 December 2019 and 31 December 2018, indicating revenue and expenses.

Income	31.12.19	31.12.18	Articles of Law 49/2002
Donations received in the year	50,757,227	52,323,710	6.1º a)
Income from sponsors and collaborators	40,714	40,592	6.1º a)
Financial income and exchange gains	145,928	314,020	6.2º
Other income	26,350		
<b>Total exempt income</b>	<b>50,943,869</b>	<b>52,678,322</b>	

Expenses	31.12.19	31.12.18
Monetary aid and other	-31,123,442	-38,360,991
Supplies	-987,391	-832,577
Personnel expenses	-3,626,245	-3,136,618
Provisions for fixed asset depreciation and amortisation	-1,716,109	-1,635,153
Other operating expenses	-7,814,258	-8,320,445
Changes in the fair value of financial instruments	-	-
Financial expense and exchange losses	-483,972	-351,946
<b>Total expenses attributable to exempt income</b>	<b>-45,751,417</b>	<b>-52,637,730</b>

The Foundation did not perform non-exempt activities in 2019 or 2018.

Withholdings from income from capital are considered payments on account of corporate income tax. The Foundation may therefore request that they be refunded when the amount owed for said tax is lower than the amount withheld.

Due to the above-mentioned specific circumstances in relation to the tax treatment of foundations, accounting income/loss differs from the taxable amount. There follows a reconciliation of the accounting income for the years ended 31 December 2019 and 2018 and the related tax amount:

	31.12.19	31.12.18
Accounting income before income tax	40,714	40,592
Decreases in accounting income	-50,970,219	-52,678,322
Increases in accounting income	50,929,505	52,637,730
<b>Taxable income</b>	<b>-</b>	<b>-</b>
Corporate income tax expense	-	-
Withholdings and prepayments	-	-
<b>Tax receivable or refundable</b>	<b>-</b>	<b>-</b>

### (13) Income and Expenses.

#### (a) Revenue from the organisation's own activity

The breakdown of "Revenue from the organisation's own activity" in the Income Statement at 31 December 2019 and 2018 is as follows:

<b>Income</b>	<b>31.12.19</b>	<b>31.12.18</b>
Donations received in the year	50,757,227	52,323,710
Income from sponsors and collaborators	40,714	40,592
Finance income and exchange gains	145,928	314,020
Others Incomes	26,350	
<b>Total exempt income</b>	<b>50,970,219</b>	<b>52,678,322</b>

In 2019 and 2018, Fundación ProFuturo did not subscribe or receive any revenue under business collaboration agreements in general interest activities.

**(b) Monetary aid**

Monetary aid relates to the monetary contributions made to entities in compliance with the Foundation's purpose. This monetary aid enables collaborating entities to cover the expenses resulting from the programme's execution. Details of this Income Statement heading at 31 December 2019 and 2018 are as follows:

	<b>31.12.19</b>	<b>31.12.18</b>
Monetary aid	-31,123,442	-27,775,502
<b>TOTAL</b>	<b>-31,123,442</b>	<b>-27,775,502</b>

**(c) Non-monetary aid**

Non-monetary aid consists of the donations in kind made to entities in compliance with the Foundation's purpose. This non-monetary aid relates mainly to technological equipment. The breakdown of this heading is as follows:

	<b>31.12.19</b>	<b>31.12.18</b>
Non-monetary aid	-5,178,087	-10,077,654
<b>TOTAL</b>	<b>-5,178,087</b>	<b>-10,077,654</b>

**(d) Supplies**

The breakdown of "Supplies" in the Income Statement at 31 December 2019 and 2018 is as follows:

	<b>31.12.19</b>	<b>31.12.18</b>
Supplies	-987,391	-832,577
<b>TOTAL</b>	<b>-987,391</b>	<b>-832,577</b>

The heading "Supplies" mainly includes the expenses corresponding to logistics services provided by third parties to the Foundation. We also include under this heading the amount paid by the Foundation as a Digital Fee in the purchase of Tablets and Laptops totalling 180,104 euros, as established in the Intellectual Property Law. The Foundation will request a refund of this amount based on the provisions of *Royal Decree Law 12/2017 of 3 July, which amended the revised text of the Intellectual Property Law, approved by Royal Decree Law 1/1996 of 12 April*, given that these devices are intended for training purposes.

**(e) Personnel expenses**

The breakdown of "Personnel expenses" in the Income Statement at 31 December 2019 and 2018 is as follows:

	31.12.19	31.12.18
Salaries and wages	-2,580,239	-2,355,199
Social Security contributions	-566,062	-492,752
Other benefit expenses	-479,944	-288,667
<b>Total</b>	<b>-3,626,245</b>	<b>-3,136,618</b>

The breakdown of "Other benefit expenses" at 31 December 2019 and 2018 is as follows:

	31.12.19	31.12.18
Contribution to supplementary pension scheme	-155,063	-106,201
Health insurance	-93,662	-75,115
Luncheon vouchers and other	-169,807	-107,351
Training	-61,412	-
<b>Total</b>	<b>-479,444</b>	<b>-288,667</b>

The supplementary pension system comprises a pension scheme called "Plan de Pensiones Empleados de Fundación ProFuturo ("ProFuturo Foundation Employee Pension Plan)", that belongs to the Fonditel B Pension Fund, which is managed by "Fonditel Pensiones, Entidad Gestora de Fondos de Pensiones, S.A.". It is sponsored by the ProFuturo Foundation and its members are the Foundation's serving employees on open-ended contracts. This pension scheme is set up as a private, voluntary benefits institution, supplementing the public Social Security system, and forms part of the employment system, through the defined contribution obligations stipulated, not affording any guarantees to members or beneficiaries.

**(f) Other operating expenses.**

Details of this Income Statement heading at 31 December 2019 and 2018 are as follows:

	31.12.19	31.12.18
Rentals and licence fees	-386,098	-255,539
Independent professional services	-3,348,722	-2,741,609
Banking fees	-23,154	-21,567
Advertising and publicity	-1,189,936	-2,141,669
Utilities	-98,231	-146,601
Other services	-2,768,118	-3,013,460
<b>Total</b>	<b>-7,814,259</b>	<b>-8,320,445</b>

(g) Exchange differences.

Details of this Income Statement heading at 31 December 2019 and 2018 are as follows:

	31.12.19	31.12.18
Exchange gains	145,928	314,020
Exchange losses	-483,972	-351,946
<b>Total</b>	<b>-338,044</b>	<b>-37,926</b>

(14) **Operating leases.**

Operating leases recognised in 2019 and 2018 as expenses total 242,960 euros and 204,168 euros, respectively.

These leases are primarily for the rent of the Foundation's headquarters, which consists of office space leased from Telefónica S.A. on the seventh floor of the building located in Gran Vía 28, Madrid (under an operating lease).

Future minimum payments, including VAT, for non-cancellable operating leases are as follows:

	2019	2018
Up to one year	262,353	204,168
<b>TOTAL</b>	<b>262,353</b>	<b>204,168</b>

(15) **Environmental Information.**

At 31 December 2019 and 2018, there are no significant assets linked to protecting and improving the environment, and neither were material environmental expenses incurred during the year.

The Foundation's management considers that there are no significant contingencies linked to environmental protection and improvement, and they do not consider it necessary to establish any provision for environmental risks and charges at 31 December 2019 and 2018.

(16) **Other information.**

(a) Personnel.

At 31 December 2019 and 2018, the number of employees, distributed by category and gender, was as follows:

	31.12.19		31.12.2018	
	Women	Men	Women	Men
Management	2	1	2	1
Graduates	20	14	19	15
Administrative staff	2	-	3	-
<b>Total</b>	<b>24</b>	<b>15</b>	<b>24</b>	<b>16</b>

At 31 December 2019 and 2018, the average number of employees, distributed by category and gender, was as follows:

	2019		2018	
	Women	Men	Women	Men
Management	2	1	2	1
Graduates	20	14	18	13
Administrative staff	3	0	3	0
<b>Total</b>	<b>25</b>	<b>15</b>	<b>23</b>	<b>14</b>

The Foundation did not have any employees with a disability rating of more than 33% at 31 December 2019 or 31 December 2018.

At 31 December 2019, the Foundation has five trustees, all of whom are men.

**(b) Remuneration and balances with members of the Board of Trustees and Senior Management**

The position of trustee is not remunerated, and the trustees have therefore not received remuneration in connection with any item in 2019 and 2018. The trustees do not have any outstanding balances with respect to the Foundation at 31 December 2019 and 31 December 2018, and neither has the Foundation arranged pension plans or insurance policies on their behalf.

The Foundation does not have Senior Management as it is its Board of Trustees that plans, manages and controls its activities directly through the President and Vice-President.

**(c) Audit fees.**

The auditor of the Group's annual financial statements (PricewaterhouseCoopers Auditores, S.L.) invoiced the following fees and expenses for professional services at 31 December 2019 and 2018:

	31.12.19	31.12.18
For audit services	-26,257	-24,321
For other verification services	-31,863	-27,830
<b>TOTAL</b>	<b>-58,120</b>	<b>-52,151</b>

The above amount includes all fees relating to services provided in 2019 and 2018, regardless of when they were invoiced.

**(d) Foreign currency balances and transactions**

**Foreign currency balances**

The breakdown of financial assets and liabilities denominated in foreign currency at 31 December 2019 and 2018 is as follows:

<b>2019</b>	<b>US dollar</b>	<b>Chilean peso</b>	<b>Mexican peso</b>	<b>Sol</b>	<b>Quetzal</b>	<b>Other</b>	<b>Total</b>
Current payables	-	-	-	-	-	-	-
Beneficiaries – Creditors	71,857	-	-	-	-	19,710	91,567
Trade and other payables	67,963	-	10,677	5,255	156,128	127,372	367,395
<b>Total current financial liabilities</b>	<b>139,820</b>	<b>-</b>	<b>10,677</b>	<b>5,255</b>	<b>156,128</b>	<b>147,082</b>	<b>458,962</b>

<b>2018</b>	<b>US dollar</b>	<b>Chilean peso</b>	<b>Mexican peso</b>	<b>Sol</b>	<b>Quetzal</b>	<b>Other</b>	<b>Total</b>
Current payables	-	-	-	-	-	-	-
Beneficiaries – Creditors	391,942	611,571	233,971	-	-	22,325	1,259,809
Trade and other payables	15,306	-	-	212,273	-	84,131	311,709
<b>Total current financial liabilities</b>	<b>407,248</b>	<b>611,571</b>	<b>233,971</b>	<b>212,273</b>	<b>-</b>	<b>106,456</b>	<b>1,571,519</b>

### Foreign currency transactions

The details of income and expenses denominated in foreign currency at 31 December 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Expenses:		
Monetary aid to entities	30,654,372	26,654,703
Other	313,084	136,508
<b>Total expenses</b>	<b>30,967,456</b>	<b>26,791,211</b>

### (e) Changes to governing management and representation bodies.

In 2019, the following changes were made to the Foundation's governing bodies, approved by the Board of Trustees on 3 July.

- Termination of Sofía Sanchez de Mesa Echeverría as General Manager.
- Appointment of Magdalena Brier López-Guerrero as General Manager.

**(17) Activity of the entity. Application of assets for own purposes Administration expenses.**

**I. ACTIVITIES PERFORMED**

**A1. PRODUCT DEVELOPMENT**

**A. Identification of activity**

**Type:** Own

**Sector:** Education

**Purpose:** Cooperation

**Location of activity:** Madrid region, Angola, Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Guinea, Kenya, Lebanon, Liberia, Madagascar, Mexico, Nicaragua, Nigeria, Panama, Peru, Philippines, Rwanda, Senegal, Sierra Leone, Zimbabwe, Spain, Uganda, Tanzania, Uruguay, Venezuela.

**Detailed description of the activity:** The PRODUCT DEVELOPMENT activity includes the work carried out for the design, development and maintenance of the solution ProFuturo, composed of an educational platform and a series of digital resources that are made available to the schools involved in the project, for the training of teachers and children in Primary Education. The ProFuturo Solution also includes a kit of technological equipment that is donated to ProFuturo's collaborating entities in the field, so that teachers and children from the schools participating in the program can use the educational platform and digital resources. This technological kit is designed to function as an "offline digital classroom" and is composed of:

- 1 computer that acts as a server, where the platform and the digital resources are included, used by the teacher for the preparation and development of the classes.
- Tablets so that the children can access the classes designed by the teachers.
- Wi-Fi router, which establishes the connection between the tablets and the server.
- Projector and screen that can be used by the teacher as part of the class.
- Other components (cables, suitcase, load concentrators...) that facilitate the storage and loading of the components.

This activity also includes the development of work to evaluate the impact of the ProFuturo program, evaluations from which adjustments and improvements to the Solution are made, such as the development of new functionalities in the platform or new digital resources, for example.

**B. Human resources used in the activity**

TYPE OF STAFF	ESTIMATED NUMBER	ACTUAL NUMBER	ESTIMATED NO. OF HOURS/YEAR	ACTUAL NO. OF HOURS/YEAR
Staff on payroll	15.00	13.00	1,607.00	1,607.00
Staff on services contract	8.00	6.00	1,607.00	1,607.00
Volunteer staff	0.00	0.00	0.00	0.00

**C. Beneficiaries and/or users of the activity**

BENEFICIARIES OR USERS	ESTIMATED NUMBER	ACTUAL NUMBER
Natural persons	4,487,573.00	4,592,762.00
Legal persons	0.00	0.00

## D. Financial resources used in the activity

RESOURCES	ESTIMATED AMOUNT	ACTUAL SPECIFIC AMOUNT INCURRED IN THE ACTIVITY	ACTUAL SHARED AMOUNT INCURRED IN THE ACTIVITY	ACTUAL TOTAL AMOUNT INCURRED IN THE ACTIVITY
<b>Expenses</b>				
Monetary aid and other management expenses	-8,836,080.98	-5,178,087.00	0.00	-5,178,087.00
a) Monetary aid	0.00	0.00	0.00	0.00
b) Non-monetary aid	-8,836,080.98	-5,178,087.00	0.00	-5,178,087.00
c) Expenses relating to collaborations and governing bodies	0.00	0.00	0.00	0.00
Change in inventories of finished goods and work in progress	0.00	0.00	0.00	0.00
Supplies	0.00	-164,091.00	0.00	-164,091.00
Personnel expenses	-1,618,761.42	-1,187,907.00	0.00	-1,187,907.00
Other expenses relating to the activity	-8,239,284.35	-3,142,324.00	0.00	-3,142,324.00
General	-2,107,472.19	-1,047,508.00	0.00	-1,047,508.00
Development of technological solutions	-5,635,712.16	-1,977,667.00	0.00	-1,977,667.00
Impact monitoring and assessment	-496,100.00	-117,149.00	0.00	-117,149.00
Depreciation and amortisation	-1,714,645.25	-1,716,109.00	0.00	-1,716,109.00
Impairment and gains/losses on disposal of fixed assets	0.00	0.00	0.00	0.00
Other gains/losses (Expenses)		0.00	0.00	0.00
Financial expense	0.00	0.00	0.00	0.00
Changes in the fair value of financial instruments	0.00	0.00	0.00	0.00
Exchange differences	0.00	0.00	0.00	0.00
Impairment and gains/(losses) on disposal of financial instruments	0.00	0.00	0.00	0.00
Income tax	0.00	0.00	0.00	0.00
<b>Total expenses</b>	<b>-20,408,772.00</b>	<b>-11,388,518.00</b>	<b>0.00</b>	<b>-11,388,518.00</b>
<b>Investments</b>				
Asset acquisitions (except items of Historical Heritage)	0.00	2,941.00	0.00	2,941.00
Acquisition of items of Historical Heritage	0.00	0.00	0.00	0.00
Cancellation of non-trade payable	0.00	0.00	0.00	0.00
<b>Total investments</b>	<b>0.00</b>	<b>2,941.00</b>	<b>0.00</b>	<b>2,941.00</b>
<b>TOTAL RESOURCES USED</b>	<b>20,408,772.00</b>	<b>11,391,459.00</b>	<b>0.00</b>	<b>11,391,459.00</b>

## E. Goals and performance indicators of the activity.

OBJECTIVE	INDICATOR	ESTIMATED AMOUNT	ACTUAL AMOUNT INCURRED
Promoting access to universal and quality education to help create equal opportunities for children from vulnerable groups.	ProFutura beneficiary children	4,303.414..00	4,398.290.00
Fostering educational innovation, by promoting the use of new technologies in teaching practice.	Teachers receiving training and giving classes using the ProFutura platform	184,159..00	194.496.00

## A2. DEPLOYMENT AND SUPPORT

**Type:** Own

**Sector:** Education

**Purpose:** Cooperation

**Location of activity:** Madrid region, Angola, Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Guinea, Kenya, Lebanon, Liberia, Madagascar, Mexico, Nicaragua, Nigeria, Panama, Peru, Philippines, Rwanda, Senegal, Sierra Leone, Zimbabwe, Spain, Uganda, Tanzania, Uruguay, Venezuela.

**Detailed description of the activity:** In DEPLOYMENT AND SUPPORT we include all the activity that has been developed for the study of schools, the training of teachers, coordinators and directors on-site, as well as the rest of the actions that have been carried out during the year for the correct implementation of the project in the different countries.

## B. Human resources used in the activity

TYPE OF STAFF	ESTIMATED NUMBER	ACTUAL NUMBER	ESTIMATED NO. OF HOURS/YEAR	ACTUAL NO. OF HOURS/YEAR
Staff on payroll	27.00	28.00	1,607.00	1.607.00
Staff with services contract	5.00	4.00	1,607.00	1.607.00
Volunteer staff	0.00	0.00	0.00	0.00

## C. Beneficiaries and/or users of the activity

BENEFICIARIES OR USERS	ESTIMATED NUMBER	ACTUAL NUMBER
Natural persons	4,487,573.00	4,592,762.00
Legal persons	0.00	0.00

## D. Financial resources used in the activity

RESOURCES	ESTIMATED AMOUNT	ACTUAL SPECIFIC AMOUNT INCURRED IN THE ACTIVITY	ACTUAL SHARE AMOUNT INCURRED IN THE ACTIVITY	ACTUAL TOTAL AMOUNT INCURRED IN THE ACTIVITY
<b>Expenses</b>				
Monetary aid and other management expenses	-36,359,630,37	-31,123,442,00	0,00	-31,123,442,00
a) Monetary aid	-36,359,630,37	-31,123,442,00	0,00	-31,123,442,00
b) Non-monetary aid	0,00	0,00	0,00	0,00
c) Expenses relating to collaborations and governing bodies	0,00	0,00	0,00	0,00
Change in inventories of finished goods and work in progress	0,00	0,00	0,00	0,00
Supplies	0,00	-823,300,00	0,00	-823,300,00
Personnel expenses	-2,830,425,02	-2,438,338,00	0,00	-2,438,338,00
Other expenses relating to the activity	-7,185,817,86	-4,671,934,00	0,00	-4,671,934,00
Project support	-2,379,598,56	-2,521,786,00	0,00	-2,521,786,00
General	-3,640,179,24	-2,150,148,00	0,00	-2,150,148,00
Depreciation and amortisation	0,00	0,00	0,00	0,00
Impairment and gains/losses on disposal of fixed assets	0,00	0,00	0,00	0,00
Other gains/losses (Expenses)		0,00	0,00	0,00
Financial expense	0,00	0,00	0,00	0,00
Changes in the fair value of financial instruments	0,00	0,00	0,00	0,00
Exchange differences	0,00	-483,973,00	0,00	-483,973,00
Impairment and gains/(losses) on disposal of financial instruments	0,00	0,00	0,00	0,00
Income tax	0,00	0,00	0,00	0,00
<b>Total expenses</b>	<b>-46,375,873,25</b>	<b>-39,540,987,00</b>	<b>0,00</b>	<b>-39,540,987,00</b>
<b>Investments</b>				
Asset acquisitions (except items of Historical Heritage)	0,00	6,038,00	0,00	6,038,00
Acquisition of items of Historical Heritage	0,00	0,00	0,00	0,00
Cancellation of non-trade payable	0,00	0,00	0,00	0,00
<b>Total investments</b>	<b>0,00</b>	<b>6,038,00</b>	<b>0,00</b>	<b>6,038,00</b>
<b>TOTAL RESOURCES USED</b>	<b>46,375,873,25</b>	<b>39,547,025,00</b>	<b>0,00</b>	<b>39,547,025,00</b>

## E. Goals and performance indicators of the activity.

OBJECTIVE	INDICATOR	ESTIMATED AMOUNT	ACTUAL AMOUNT INCURRED
Promoting access to universal and quality education to help create equal opportunities for children from vulnerable groups.	ProFuturo beneficiary children	4,303,414.00	4,398,267.00
Fostering educational innovation, by promoting the use of new technologies in teaching practice.	Teachers receiving training and giving classes using the ProFuturo platform	184,159.00	194,495.00

## II. FINANCIAL RESOURCES USED BY THE ENTITY

RESOURCES	ACTIVITY 1	ACTIVITY 2
<b>Expenses</b>		
Monetary aid and other management expenses	-5,178,087.00	-31,123,442.00
a) Monetary aid	0.00	-31,123,442.00
b) Non-monetary aid	-5,178,087.00	0.00
c) Expenses relating to collaborations and governing bodies	0.00	0.00
Change in inventories of finished goods and work in progress	0.00	0.00
Supplies	-164,091.00	-823,300.00
Personnel expenses	-1,187,907.00	-2,438,338.00
Other expenses relating to the activity	-3,142,324.00	-4,671,934.00
Project support	0.00	-2,521,786.00
General	-1,047,508.00	-2,150,148.00
Development of Technological Solutions	-1,977,667.00	0.00
Impact monitoring and assessment	-117,149.00	0.00
Depreciation and amortisation	-117,149.00	0.00
Impairment and gains/losses on disposal of fixed assets	-1,716,109.00	0.00
Other gains/losses (Expenses)	0.00	0.00
Financial expense	0.00	0.00
Changes in the fair value of financial instruments	0.00	0.00
Exchange differences	0.00	0.00
Impairment and gains/(losses) on disposal of financial instruments	0.00	-483,973.00
Income tax	0.00	0.00
<b>Total expenses</b>	<b>0.00</b>	<b>0.00</b>
<b>Investments</b>	<b>-11,388,518.00</b>	<b>-39,540,987.00</b>
Asset acquisitions (except items of Historical Heritage)		
Acquisition of items of Historical Heritage	2,941.00	6,038.00
Cancellation of non-trade payable	0.00	0.00
<b>Total investments</b>	<b>0.00</b>	<b>0.00</b>

<b>TOTAL RESOURCES USED</b>	<b>2,941.00</b>	<b>6,038.00</b>
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<b>RESOURCES</b>	<b>EXECUTED ACTIVITIES</b>	<b>NOT ALLOCATED TO ACTIVITIES</b>	<b>TOTAL ACTUALLY EXECUTED</b>
<b>Expenses</b>			
Monetary aid and other management expenses	-36,301,529.00	0.00	-36,301,529.00
a) Monetary aid	-31,123,442.00	0.00	-31,123,442.00
b) Non-monetary aid	-5,178,087.00	0.00	-5,178,087.00
c) Expenses relating to collaborations and governing bodies	0.00	0.00	0.00
Change in inventories of finished goods and work in progress	0.00	0.00	0.00
Supplies	-987,391.00	0.00	-987,391.00
Personnel expenses	-3,626,245.00	0.00	-3,626,245.00
Other expenses relating to the activity	-7,814,258.00	0.00	-7,814,258.00
Project support	-2,668,717.00	0.00	-2,668,717.00
General	-2,981,802.00	0.00	-2,981,802.00
Development of technological solutions	-2,006,590.00	0.00	-2,006,590.00
Impact monitoring and assessment	-157,149.00	0.00	-157,149.00
Depreciation and amortisation	-1,716,109.00	0.00	-1,716,109.00
Impairment and gains/losses on disposal of fixed assets	0.00	0.00	0.00
Other gains/losses (Expenses)	0.00	0.00	0.00
Financial expense	0.00	0.00	0.00
Changes in the fair value of financial instruments	0.00	0.00	0.00
Exchange differences	-483,973.00	0.00	-483,973.00
Impairment and gains/(losses) on disposal of financial instruments	0.00	0.00	0.00
Income tax	0.00	0.00	0.00
<b>Total expenses</b>	<b>-50,929,505.00</b>	<b>0.00</b>	<b>-50,929,505.00</b>
<b>Investments</b>			
Asset acquisitions (except items of Historical Heritage)	5,852.00	0.00	5,852.00
Acquisition of items of Historical Heritage	0.00	0.00	0.00
Cancellation of non-trade payable	0.00	0.00	0.00
<b>Total investments</b>	<b>5,852.00</b>	<b>0.00</b>	<b>5,852.00</b>
<b>TOTAL RESOURCES USED</b>	<b>50,935,357.00</b>	<b>0.00</b>	<b>50,935,357.00</b>

### III. FINANCIAL RESOURCES OBTAINED BY THE ENTITY

#### Revenues obtained by the entity

RESOURCES	ESTIMATED	ACTUALLY EXECUTED
Income from capital and other revenue from assets	0.00	0.00
Trade receivables for sales and services from own activities	0.00	0.00
Sales and other revenue from trading activities	0.00	0.00
Public sector grants	0.00	0.00
Private contributions	65,070,000.00	51,947,022.00
Other kinds of revenue	0.00	26,350.00
<b>TOTAL REVENUES OBTAINED</b>	<b>65,070,000.00</b>	<b>51,973,732.00</b>

#### Other financial resources obtained by the entity

OTHER RESOURCES	ESTIMATED	ACTUALLY EXECUTED
Debt arranged	0.00	0.00
Other financial obligations undertaken	0.00	0.00
<b>TOTAL OTHER RESOURCES OBTAINED</b>	<b>0.00</b>	<b>0.00</b>

### COLLABORATION AGREEMENTS WITH OTHER ENTITIES

ENTITY	AGREEMENT	INCOME	EXPENSES
Fundación Telefónica Argentina	collaboration Agreement	0.00	241,736.00
Fundación Telefónica Brazil	Collaboration Agreement	0.00	8,687,119.00
Fundación Telefónica Chile	Collaboration Agreement	0.00	1,367,979.00
Fundación Telefónica Colombia	Collaboration Agreement	0.00	2,950,325.00
Fundación Telefónica Ecuador	Collaboration Agreement	0.00	1,040,050.00
Fundación Telefónica Mexico	Collaboration Agreement	0.00	1,803,683.00
Fundación Telefónica Peru	Collaboration Agreement	0.00	6,851,009.00
Fundación Telefónica Uruguay	Collaboration Agreement	0.00	1,653,655.00
Fundación Telefónica Venezuela	Collaboration Agreement	0.00	224,307.00
Fundación Telefónica Guatemala	Collaboration Agreement	0.00	615,154.00
Fundación Telefónica Panamá	Collaboration Agreement	0.00	329,407.00
Conferencia Episcopal Argentina	Collaboration Agreement	0.00	53,232.00
Agencia Presidencial de Cooperación Internacional Colombia	Collaboration Agreement	0.00	306,846.00

Omar Dengo	Collaboration Agreement	0.00	332,017.00
Empresarios por la Educación	Collaboration Agreement	0.00	960,683.00
Fabretto	Collaboration Agreement	0.00	260,762.00
INPHRU	Collaboration Agreement	0.00	431,030.00
Fundación Gabriel Lewis Galindo	Collaboration Agreement	0.00	866,083.00
FUSAL	Collaboration Agreement	0.00	1,179,007.00
Arrupe	Collaboration Agreement	0.00	130,879.00
OEA	Collaboration Agreement	0.00	186,960.00
Ministry of Education Barbados	Collaboration Agreement	0.00	67,647.00
Ministry of Education Guayana	Collaboration Agreement	0.00	152,775.00
CEAST-Angola	Collaboration Agreement	0.00	285,135.00
Salesianos-Tanzania	Collaboration Agreement	0.00	229,206.00
Salesianos-Kenia	Collaboration Agreement	0.00	107,190.00
Diócesis de Kitui	Collaboration Agreement	0.00	35,300.00
Salesianos Uganda	Collaboration Agreement	0.00	32,692.00
Diócesis de Antsiranana	Collaboration Agreement	0.00	11,657.00
ACCEGE-Guinea	Collaboration Agreement	0.00	338,889.00
Ayala Foundation	Collaboration Agreement	0.00	193,625.00
Kayani- Lebanon	Collaboration Agreement	0.00	46,123.00
AUB-Lebanon	Collaboration Agreement	0.00	11,777.00
Save the Children	Collaboration Agreement	0.00	432,634.00
La Salle	Collaboration Agreement	0.00	114,465.00
Salesianos Ruanda	Collaboration Agreement	0.00	160,446.00
AES-Senegal	Collaboration Agreement	0.00	27,109.00
The Kuka Center	Collaboration Agreement	0.00	711,664.00
Tigray	Collaboration Agreement	0.00	296,375.00
Thabo Mbeki Foundation	Collaboration Agreement	0.00	47,465.00
Entreculturas	Collaboration Agreement	0.00	210,596.00
World Vision	Collaboration Agreement	0.00	1,510,483.00
Caritas-Angola	Collaboration Agreement	0.00	534,292.00
Empieza por educar	Collaboration Agreement	0.00	272,083.00
UPSA	Collaboration Agreement	0.00	4,550.00
Educación para compartir	Collaboration Agreement	0.00	40,000.00
Sant Egidio	Collaboration Agreement	0.00	24,373.00
OEI	Collaboration Agreement	0.00	50,000.00
UNESCO	Collaboration Agreement	0.00	22,000.00

Fundación Telefónica	Collaboration Agreement	33,947,022.00	0.00
Fundación Bancaria "La Caixa"	Collaboration Agreement	18,000,000.00	0.00

#### 4. DIFFERENCES BETWEEN ACTION PLAN AND ACTUAL DATA

The ProFuturo Foundation's Action Plan earmarked EUR 66,784,645, while the amount executed in 2019 totalled EUR 50,938,484,

The main differences in Activity 1 are:

-Non-monetary aid: its estimated value was EUR 8,836,080, compared with an actual value of EUR 5,178,087 executed at 2019 year-end. This difference is due to the lower volume of technological equipment donated mainly as a result of the speed of launch of operations, which was slower than planned.

Development of the Technological Solution: the expected value for 2019 was EUR 5,635,712, since significant development of computer applications was planned. The development of the Technological Solution has been more limited, executing a budget of EUR 1,977,667, the use of existing solutions having been consolidated and extended.

The main differences in Activity 2 are:

-Monetary aid: its estimated value was EUR 36,359,630, compared with EUR 31,123,442 executed in 2019, also evidencing a slower pace of project roll-out.

Supplies – Logistics: under the plan presented, the logistics expense was included under "Other Expenses" for an amount of EUR 1,166,040 euros, which is far lower than the EUR 823,300 s carried out under the "Provisions" heading. This difference is in parallel with that in non-monetary aid, since, by donating less computer equipment, the logistics expenditure associated with the shipments is also lower.

In both activities, there have been savings in general costs due to the slower pace of project deployment.

#### 5. APPLICATION OF ASSETS FOR OWN PURPOSES

**Determination of the calculation base and income to be used in the year**

RESOURCES	AMOUNT
Accounting result	40,714.00
Adjustments (+) to accounting result	
Amortisation and depreciation and impairment losses on assets relating to own activities	1,716,109.00
Common expenses and those specific to the set of activities implemented in compliance with aims (except A&D and impairment losses)	49,213,396.00
Profit and loss recognised directly in equity as a result of changes in accounting policies or correction of errors	0.00
<b>Total adjustments (+)</b>	<b>50,929,505.00</b>

<b>Adjustments (-) to accounting results</b>	
NON-COMPUTABLE REVENUES: Proceeds from the sale of property in which own activity is performed and goods and rights considered part of endowment capital	0.00
Profit and loss recognised directly in equity as a result of changes in accounting policies or correction of errors	0.00
<b>Total adjustments (-)</b>	0.00
<b>DIFFERENCE: CALCULATION BASE</b>	50,970,219.00
<b>Percentage</b>	100.00
<b>Income earmarked</b>	50,970,219.00

#### **Resources applied in the year to fulfilling aims**

<b>RESOURCES</b>	<b>AMOUNT</b>
Expenses from own activity accrued in the year (includes those common to own activity)	49,213,396.00
Investments made in own activity in the year	8,980.00
<b>TOTAL RESOURCES USED IN THE YEAR</b>	49,222,376.00

#### **Administration expenses**

According to the figures disclosed by the Foundation, there are no administration expenses of those specified in article 33 of the Regulations for Foundations under the Competency of the State, approved by Royal Decree 1337/2005, of 11 December.

## 6. DEGREE OF COMPLIANCE OF THE USE OF REVENUE AND INCOME

### Determination of the degree of compliance of the use of revenue and income

FINANCIAL YEAR	SURPLUS FOR THE YEAR	POSITIVE ADJUSTMENTS	NEGATIVE ADJUSTMENTS	CALCULATION BASE	INCOME EARMARKED	PERCENTAGE EARMARKED	RESOURCES EARMARKED FOR AIMS
01/01/2016 - 31/12/2016	4,991.51	0.00	0.00	4,991.51	3,494.06	70.00	0.00
01/01/2017 - 31/12/2017	34,827.00	27,531,065.00	0.00	27,565,892.00	27,565,892.00	100.00	33,655,593.00
01/01/2018 - 31/12/2018	40,592.00	52,637,730.00	0.00	52,678,322.00	52,678,322.00	100.00	51,321,592.00
01/01/2019 - 31/12/2019	40,714.00	50,929,505.00	0.00	50,970,219.00	50,970,219.00	100.00	49,222,376.00

### Application of resources obtained to fulfilling aims

FINANCIAL YEAR	N-4	N-3	N-2	N-1	N	TOTAL	AMOUNT PENDING
01/01/2016 - 31/12/2016		0.00	3,494.06	0.00	0.00	3,494.06	0.00
01/01/2017 - 31/12/2017			33,652,098.94	0.00	0.00	33,652,098.94	0.00
01/01/2018 - 31/12/2018				51,321,592.00	1,356,730.00	52,678,322.00	0.00
01/01/2019 - 31/12/2019					47,865,646.00	47,865,646.00	-3,104,573.00

7. Breakdown of investments undertaken in own activity

ITEM	ACCOUNT No.	DETAILS OF THE INVESTMENT	ACQUISITION DATE	VALUE OF THE INVESTMENT	EQUITY	GRANT	LOAN	AMOUNT UNTIL THE YEAR	EQUITY IN THE YEAR	GRANTS IN THE YEAR	LOANS IN THE YEAR	AMOUNT PENDING
A) tangible fixed assets	227	Computer equipment	01/01/2019	5,852.00	5,852.00	0.00	0.00	0.00	5,852.00	0.00	0.00	0.00
		<b>TOTAL</b>		5,852.00	5,852.00	0.00	0.00	0.00	5,852.00	0.00	0.00	0.00

## 8. Resources applied in the year

	SHAREHOLDERS' EQUITY	GRANTS, DONATIONS AND REQUESTS	DEBT	TOTAL
1. Expenses for fulfilling aims				49,213,396.00
2. Investment in fulfilling aims				8,980.00
a) Performed with equity in the year	8,980.00			
b) Debts incurred in previous years and cancelled in the year			0.00	
c) Grants, donations and bequests from previous years released to income		0.00		
<b>TOTAL (1+2)</b>				<b>49,222,376.00</b>

## Positive adjustments to accounting result

### AMORTISATION AND DEPRECIATION IN RELATION TO ACTIVITIES FOR FULFILLING AIMS

ITEM OF INCOME STATEMENT	ACCOUNT No.	DETAILS OF THE ASSET ITEM RELATED TO THE ACTIVITY TO FULFIL AIMS	AMORTISATION/DEPRECIATION OF THE ASSET ITEM	TOTAL AMOUNT OF ASSET ITEM AMORTISED/DEPRECIATED
10. Depreciation and amortisation	681	Software	1,708,880.00	3,754,628.00
10. Depreciation and amortisation	681	Data processing equipment	7,229.00	11,672.00
		<b>TOTAL</b>	<b>1,716,109.00</b>	<b>3,766,300.00</b>

### COMMON EXPENSES AND THOSE SPECIFIC TO THE SET OF ACTIVITIES IMPLEMENTED TO FULFIL AIMS (except A&D and impairment losses)

ITEM OF PROFIT/LOSS	ACCOUNT No.	BREAKDOWN OF EXPENSES	CRITERION FOR ALLOCATION TO OWN ACTIVITY	AMOUNT
3. Expenses from aid and other	2	Monetary and non-monetary aid	Monetary and non-monetary donations	-36,301,529.00
6. Supplies	3	Logistics services and other supplies	Logistics services	-987,391.00
8. Personnel expenses	4	Personnel expenses	Personnel expenses	-3,626,245.00
9. Other expenses relating to the activity	5	Other expenses relating to the activity	Other expenses	-7,814,258.00
17. Exchange differences	7	Exchange differences	Exchange differences	-483,973.00
		<b>TOTAL</b>		<b>-49,213,396.00</b>

**(18) Inventory.****Assets and rights****Intangible assets**

CODE	ITEM	ACQUISITION DATE	TOTAL CARRYING AMOUNT	IMPAIRMENT, AMORTISATION AND OTHER COMPENSATORY ITEMS	SCOPE
206 Software	AVANZO	01/06/2017	62,062.16	0.00	Aims
206 Software	TEKMAN	01/06/2017	1,448,263.52	0.00	Aims
206 Software	NETEX	01/06/2017	139,585.60	0.00	Aims
206 Software	ELESAPIENS	01/06/2017	559,232.97	0.00	Aims
206 Software	CINEX	01/06/2017	115,668.78	0.00	Aims
206 Software	TED N-1	01/06/2017	526,350.00	0.00	Aims
206 Software	TED	31/07/2017	3,984,357.42	0.00	Aims
	<b>TOTAL</b>		<b>6,835,520.45</b>	<b>0.00</b>	

**Property, plant and equipment**

CODE	ITEM	ACQUISITION DATE	TOTAL CARRYING AMOUNT	IMPAIRMENT, AMORTISATION AND OTHER COMPENSATORY ITEMS	SCOPE
217 Data processing equipment	Data processing equipment	01/01/2018	32,041.48	11,671.76	Aims
	<b>TOTAL</b>		<b>32,041.48</b>	<b>11,671.76</b>	

CODE	ITEM	ACQUISITION DATE	TOTAL CARRYING AMOUNT	SCOPE
30 Items used in the activity	TABLET	01/07/2017	2,913,680.00	Aims
30 Items used in the activity	BAGS	01/07/2017	408,158.00	Aims
30 Items used in the activity	MULTI-PORT CHARGER	01/07/2017	176,543.00	Aims
30 Items used in the activity	LAPTOP	01/07/2017	725,143.00	Aims
30 Items used in the activity	PROJECTORS	01/07/2017	360,506.00	Aims
30 Items used in the activity	UPS	01/07/2017	146,811.00	Aims
30 Items used in the activity	ROUTERS	01/07/2017	51,840.00	Aims
30 Items used in the activity	POWER STRIP	01/07/2017	9,345.00	Aims
30 Items used in the activity	ANCILLARY	01/07/2017	76,363.00	Aims
	<b>TOTAL</b>		<b>4,868,389.00</b>	

**(19) Statement of cash flows**

	2019	2018
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>	<b>-47,497,940</b>	<b>-42,408,830</b>
Surplus for the year before tax	40,714	40,592
Total adjustments	-48,703,074	-50,650,631
Depreciation and amortisation	1,716,109	1,635,153
Grants released to income	-50,757,227	-52,323,710
Exchange differences	338,044	37,926
Changes in working capital	1,164,419	8,201,209
Trade and other receivables	-30,607	149,888
Inventories	-1,710,570	7,171,612
Trade and other payables	2,905,596	879,709
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>	<b>-8,981</b>	<b>-1,573,109</b>
Payments due to investments	-8,981	-1,573,109
Property, plant and equipment	-8,981	-23,060
Intangible assets	0	-1,550,049
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>	<b>51,947,022</b>	<b>42,937,019</b>
Proceeds from and payments for financial liability instrum.	51,947,022	42,937,019
Proceeds from and payments for equity instruments:	51,947,022	42,937,019
Grants, donations and bequests received.	51,947,022	42,937,019
<b>EFFECT OF FOREIGN EXCHANGE RATE FLUCTUATIONS</b>	<b>-338,044</b>	<b>-37,926</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,101,892</b>	<b>-1,082,846</b>
Cash and cash equivalents at beginning of period	7,421,521	8,504,367
Cash and cash equivalents at end of period	11,523,413	7,421,521

**(20) Information on compliance with the Code of Conduct on Short-Term Investments**

On 20 February 2019, the Board of the National Securities Market Commission approved a code of conduct for investments by non-profit organisations.

In accordance with the provisions of Article 4.2 of this Code, a literal transcription of the agreements reached by the Board of Trustees of Fundación ProFuturo to take account of its publication and adopt the measures conducive to following its principles and recommendations is provided:

MINUTE OF THE MEETING OF THE BOARD OF TRUSTEES OF THE FUNDACIÓN PROFUTURO HELD ON 17 DECEMBER 2019.

Agreements submitted for the approval of the Board of Trustees, approved by written vote and without a meeting:

Firstly, to take note of the publication of the new Code of Conduct relating to investments by non-profit organisations, approved pursuant to the agreement of 20 February 2019 of the Board of the National Securities Market Commission, in accordance with the provisions of article 4.2. of said Code of Conduct.

Secondly, in order to adapt the internal regulations of Fundación ProFuturo to the aforementioned new Code of Conduct relating to investments by non-profit organisations, to approve a new "Policy for temporary financial investments of Fundación ProFuturo", which replaces the Policy for making temporary financial investments approved at a meeting of the Board of Trustees on 31 May 2017.

#### **(21) Subsequent events.**

Due to the exceptional circumstances that occurred after the Foundation's 2019 financial year-end and during the period of preparation of these annual accounts, with the publication of Royal Decree 463/2020 on 14 March 2020, which declared the state of emergency in order to manage the health crisis generated by the coronavirus (Covid-19), and which came into force on that same day, 14 March, we state that:

- The contingency plans envisaged for these circumstances have been activated, which have allowed the continuity of the Foundation's activity, trying as far as possible to ensure operations continue as normal . To this end, organizational measures have been implemented to manage the crisis, both individually (management of situations of contagion or isolation) and collectively. All workers are currently working from home. These measures have proved to be perfectly compatible with the continuity of activities, and it is possible to extend them for the time that the authorities consider, without jeopardising the Foundation's activities .
- The Foundation does not expect to default on any of its contractual obligations and therefore no consequences are expected from its failure to fulfil contracts due to the epidemic.
- At the date of preparation of these annual accounts , no significant economic impacts are expected to arise the widespread crisis.

**SIGNATURE PAGE:**

**AUTHORISATION OF ACCOUNTS FOR ISSUE.**

In accordance with applicable regulations, the President of the Board of Trustees of the ProFuturo Foundation authorises for issue the annual accounts for the year ended 31 December 2019, comprising the pages appended hereto numbered 1 to 42.

Madrid, 30 March 2020

The President of the Board of Trustees



**Mr César Alierta Izuel**