

**ANNUAL REPORT
CORPORATE GOVERNANCE**

LISTED PUBLIC LIMITED COMPANIES

DETAILS OF ISSUING COMPANY

FISCAL YEAR 2005

CIF: N0067816I

Corporate name: JAZZTEL p.l.c.

Registered Address:
20-22 Bedford Row London WC1R4JS
United Kingdom

**ANNUAL REPORT 2005 CORPORATE GOVERNANCE OF PUBLIC LIMITED
COMPANIES LISTED ON THE SPANISH STOCK EXCHANGES**

A SHAREHOLDING STRUCTURE

A.1. Complete the table below on the Company's share capital:

Last modification Date	Share capital (€)	Number of shares
December 30 2005	78,388,846.40	979,860,580

Should different classes of shares exist, indicate them in the following table:

Class	Number of shares	Unitary par value
Ordinary voting shares* See Extension to A.1	979,860,580	€ 0.08

A.2. List the direct and indirect holders of significant shareholdings* in the Company at the end of the financial year, excluding Board members:

Shareholder's name or trade name	Number of shares held directly	Number of shares held indirectly (*)	Total % of share capital
Prepsa Traders, S.A.	241,750,382	0	24.672
Dresdner Kleinwort Wassertein Securities Limited	0	146,000,000	14.900
Deutsche Bank, A.G.	51,672,606	0	5,273

(*) Through:

Shareholder's name or trade name	Number of shares held directly	Total % of share capital
Prepsa Traders, S.A.	146,000,000	14.900
Total:	146,000,000	14.900

Indicate the most significant movements in the Company's shareholding structure during the financial year:

Shareholder's name or trade name	Date of transaction	Description of transaction
Dresdner Kleitwort Wassertien Securities Limited	20-04-2005	It has reached the 15% of the share capital

Deutsche Bank, A.G.	27-04-2005	It has reached the 5% of the share capital
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A.3. Complete the tables below on the members of the Company's Board of Directors who own shares in the Company:

Board member's name or trade name	Date of appointment	Date of last appointment	Number of shares held directly	Number of shares held indirectly (*)	Total % of share capital
Leopoldo Fernández Pujals	18-10-2004	30-03-2005	0	241,750,382	24.672
Javier Ibañez de la Cruz	18-10-2004	30-03-2005	59,500	0	0.006
José Ortiz Martínez	18-10-2004	30-03-2005	125,000	143,000	0.027
Joaquim Molins I Amat	12-12-2001	22-07-2004	135,333	0	0.014
Luis Carlos Croissier Batista	18-10-2004	30-03-2005	37,500	0	0.004

(*) Through:

Name or trade name of holder of direct shareholding	Number of shares held directly
Prepsa Traders, S.A.	241,750,382
Maria Luisa Rubio Mayo	143,000
Total:	241,893,382

Total % of share capital held by members of the Board of Directors	24.723
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Complete the tables below on the members of the Company's Board of Directors who hold options on the Company's shares:

Board member's name	Number of direct share options	Number of indirect share options	Number of equivalent shares	Total % of share capital*
Rafael Conejos Miquel	750,000	0	750,000	0.077
Joaquim Molins I Amat	502,667	0	502,667	0.051
José Ortiz Martínez	375,000	0	375,000	0.038
Javier Ibañez de la Cruz	262,500	0	262,500	0.017
Luis Carlos Croissier Batista	262,500	0	262,500	0.017

Jose Luis Navarro Marqués	300,000	0	300,000	0.020
Pedro Ángel Navarro Martínez	262,500	0	262,500	0.017
Jose Luis Díez García	262,500	0	262,500	0.017

A.4. Should they exist, indicate any family, trading, contractual and corporate relationships among the holders of significant shareholdings in so far as they are known by the company, except when these are not very relevant or derived from normal trading activities:

Associated names or trade names	Type of relationship	Brief description

A.5. Should they exist, indicate trading, contractual and corporate relationships between the holders of significant shareholdings and the company, except when these are not very relevant or derived from normal trading activities:

Associated names or trade names	Type of relationship	Brief description

A.6. Indicate any para-social agreements entered into between shareholders the company has been informed about:

Shareholders that entered into para-social agreements	% of share capital affected	Brief description of agreement

Indicate any existing concerted actions among the company's shareholders that the company is aware of:

Shareholders involved in concerted actions	% of share capital affected	Brief description of concerted action

Express mention should be made of any changes in or breaches of the above-mentioned agreements or concerted actions that have occurred during the financial year.

A.7. Indicate if any individual or legal entity exercises or may exercise a controlling interest in the company pursuant to Article 4 of the Stock Market Act (*Ley del Mercado de Valores*).

Name or trade name
Prepsa Traders, S.A.

Observations
At the date of this Corporate Governance Report, Prepsa Traders, S.A. has the 24.671 of the share capital

A.8. Complete the following tables on the company's treasury stock:

At the end of the financial year:

Number of shares held directly	Number of shares held indirectly (*)	Total % of share capital

(*) Through:

Tax Id. No.	Name or trade name of holder of direct shareholding	Number of shares held directly
Total:		

List any significant changes that occurred during the financial year pursuant to the provisions of Royal Decree 377/1991 (*Real Decreto 377/1991*):

Date	Number of shares held directly	Number of shares held indirectly	Total % of share capital
Financial year's profit or loss resulting from treasury stock transactions		(in thousands of euros)	

A.9. List the conditions and time limit(s) of any authorisation(s) granted to the board of directors to carry out acquisitions or transmissions of the treasury stock described in section A.8.

The Board of Directors has not been authorised to carry out acquisitions or transmissions of the treasury stock.

A.10. Should they exist, indicate any legal constraints or limitations set forth in the articles of association concerning voting rights, along with any legal

limits to the acquisition or transmission of shareholdings in the company's share capital.

The Board of Directors has been authorised to issue shares to an amount up to \$ 130,000,000 of nominal value (1,625,000,000 ordinary shares of Jazztel, p.l.c.), in accordance with section 80 and section 89 of the Companies Act 1985, which was agreed by ordinary resolution passed at an ordinary general meeting of shareholders held on 30 March 2005 for the period ending 30 March 2010.

B STRUCTURE OF THE COMPANY'S CORPORATE GOVERNANCE

B.1 Board of Directors

B.1.1. Indicate the maximum and minimum number of Board members foreseen by the articles of association:

Maximum number of Board members	12
Minimum number of Board members	5

B.1.2. Complete the table below with details of the Board members*:

Board member's name	Post in the board	Date of first appointment	Appointment procedure	Date of last appointment
LEOPOLDO FERNANDEZ PUJALS	Chairman	18-10-2004	Appointed at a meeting of the Board of Directors and confirmed on the last AGM	30-03-2005
JOSE ORTIZ MARTINEZ	Secretary and Member	18-10-2004	Appointed at a meeting of the Board of Directors and confirmed on the last AGM	30-03-2005
JAVIER IBÁÑEZ DE LA CRUZ	Member	18-10-2004	Appointed at a meeting of the Board of Directors and confirmed on the last AGM	30-03-2005
JOAQUIM MOLINS I AMAT	Member	25-04-2001	Appointed at the meeting of the Board of Directors and confirmed on the 2004 AGM	15-07-2004
RAFAEL CONEJOS MIQUEL	Member	13-12-2004	Appointed at a meeting of the Board of and confirmed on the last AGM	30-03-2005
LUIS CARLOS CROISSIER BATISTA	Member	13-12-2004	Appointed at a meeting of the Board of Directors and confirmed on the last AGM	30-03-2005
JOSE LUIS NAVARRO MARQUES	Member	13-12-2004	Appointed in a meeting of the Board of Directors and confirmed on the last AGM	30-03-2005
PEDRO ANGEL NAVARRO MARTINEZ	Member	22-07-2005	Appointed in a meeting of the Board of Directors	22-07-2005

Total Number of Board Members	9
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Indicate the number of Board members who have left office during the period.

Board member's name or trade name	Date left office
EDUARDO MERIGO GONZALEZ	22-07-2005
LUIS FERNANDO VELASCO RODRIGUEZ	22-07-2005

B.1.3. Complete the following tables on the Board members and their differing characteristics:

EXECUTIVE BOARD MEMBERS

Board member's name or trade name	Committee that put forward appointment	Post in the Company's organisation chart
RAFAEL CONEJOS MIQUEL	Appointment and Remuneration Committee	MEMBER
JOAQUIM MOLINS I AMAT	Appointment and Remuneration Committee	MEMBER

EXTERNAL BOARD MEMBERS REPRESENTING SHAREHOLDINGS

Board member's name or trade name	Committee that put forward appointment	Post in the Company's organisation chart
LEOPOLDO FERNANDEZ PUJALS	Appointment and Remuneration Committee	PREPSA TRADERS, S.A.
JOSE ORTIZ MARTINEZ	Appointment and Remuneration Committee	PREPSA TRADERS, S.A.
JAVIER IBAÑEZ DE LA CRUZ	Appointment and Remuneration Committee	PREPSA TRADERS, S.A.

INDEPENDENT EXTERNAL BOARD MEMBERS

Board member's name	Committee that put	Background
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	forward appointment	
LUIS CARLOS CROISSIER BATISTA	Appointment and Remuneration Committee	Former Chairman of CNMV and Industry Minister
JOSE LUIS NAVARRO MARQUES	Appointment and Remuneration Committee	Former CEO of Procter & Gamble Spain and Portugal
PEDRO ANGEL NAVARRO MARTINEZ	Appointment and Remuneration Committee	Former Chairman of Accenture Spain
JOSE LUIS DIEZ GARCIA	Appointment and Remuneration Committee	Former Chairman of Ernst & Young Spain

OTHER EXTERNAL BOARD MEMBERS

Board member's name	Committee that put forward appointment

Provide details on why they cannot be considered independent or representative board members.

Indicate any changes that may have happened in the types of board members during the period:

Board member's name or trade name	Date of change	Former type	Present type

B.1.4. Indicate if the characterisation of board members above corresponds with the distribution laid down by the board's regulations.

The characterisation of Board members referred to above corresponds with the distribution provided in the Board's regulations which provide that in the exercise of its powers to make proposals to the General Meeting and to appoint additional Board members for the purpose of filling vacancies or otherwise, the Board of Directors shall seek to ensure that the composition of the Board is such that non-executive Board members form a majority. For this purpose, the managing director (CEO), as appropriate, and those who, under any other job category, fulfil managerial responsibilities within the Company, shall be regarded as executive Board members. In the exercise of the above-referred powers the Board shall likewise seek to ensure that the majority group of non-executive Board members shall include both the holders or

representatives of holders of major stable stakes in the capital of the Company (shareholder representative members) and persons of acknowledged standing who do not have any pre-existing ties with the Company, the directors, the management team or with major shareholders and can be considered independent (independent Board members).

B.1.5. Powers delegated to the managing director(s).

Name of managing director	Brief description
RAFAEL CONEJOS MIQUEL	Member of the Delegate Committee of the Board of Directors, with similar functions as CEO. General powers to represent the Company, granting him the title of Proxy A, with the following limitations: (i) with his sole signature, provided the amount or value for the Company of any transaction, agreement or commitment does not exceed (the equivalent of) 1,000,000 Euros; and (ii) acting jointly with any other Proxy A, provided the amount or value for the Company of any transaction, agreement or commitment does not exceed (the equivalent of) 10,000,000 Euros;
JOSE ORTIZ MARTINEZ	Member of the Delegate Committee of the Board of Directors, with the same functions and proxies as the previous one.
JOAQUIM MOLINS I AMAT	Member of the Delegate Committee of the Board of Directors, with the same functions and proxies as the previous one.

B.1.6. Board members that have taken on posts of directors or executives in other companies forming part of the listed Company's group:

Board member's name	Trade name of group Company	Position
RAFAEL CONEJOS MIQUEL	Jazz Telecom., S.A.U.	Chairman
JOSE ORTIZ MARTINEZ	Jazz Telecom., S.A.U.	Member
JOAQUIM MOLINS I AMAT	Jazz Telecom, S.A.U.	Member
RAFAEL CONEJOS MIQUEL	Adatel Telecomunicaciones, S.A.	Sole Director
RAFAEL CONEJOS MIQUEL	Sertram Networks, S.L. (Datagrama)	Sole Director
JOAQUIM MOLINS I AMAT	Centro de Cálculo de Sabadell, S.A.	Chairman
JOSE ORTIZ MARTINEZ	Centro de Cálculo de Sabadell, S.A.	Member
RAFAEL CONEJOS MIQUEL	Centro de Cálculo de Sabadell, S.A.	Member

B.1.7. Should it be the case, list any board members the company has been informed about who are also board members of other listed company's quoted in official Spanish stock exchanges not belonging to the company's group:

Name or trade name of board member	Listed company	Position
LUIS CARLOS CROISIER BASTISTA	ADOLFO DOMINGUEZ, S.A.	MEMBER
LUIS CARLOS CROISSIER BATISTA	TESTA INMUEBLES EN RENTA, S.A.	MEMBER
JOAQUIM MOLINS I AMAT	CEMENTOS MOLINS, S.A.	MEMBER

B.1.8. Complete the following tables on the board members' combined remuneration due during the financial year.

a) In the Company the object this report:

Remuneration item	Figures in thousand euros
Fixed remuneration	0
Variable remuneration	0
Per day allowances	0
Corporate fees*	294
Share options and/or other financial instruments	0
Others	0
TOTAL:	294

Other Benefits	Figures in thousand euros
Advances	0
Loans granted	0
Pension Funds and Schemes: Contributions	0
Pension Funds and Schemes: Undertakings	0
Life insurance premiums	0
Security provided by the Company in favour of Board members	0

b) Due to Board members belonging to the Board of Directors and/or senior management of other group companies:

Remuneration item	Figures in thousand euros
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Fixed remuneration	477
Variable remuneration	0
Per diem allowances	0
Corporate fees	0
Share options and/or other financial instruments	0
Others	15
TOTAL:	492

Other Benefits	Figures in thousand euros
Advances	0
Loans granted	0
Pension Funds and Schemes: Contributions	0
Pension Funds and Schemes: Undertakings	0
Life insurance premiums	1
Security provided by the Company in favour of Board members	0

c) Total remuneration by type of Board member:

Type of Board Member	Company	Group
Executive Board members	0	342
External Board members representing shareholders	84	150
Independent external Board members	210	0
Other external Board members	0	0
Total:	294	492

d) Concerning the profit attributed to controlling Company:

Total remuneration of Board members (in thousands of euros)	786
Total remuneration of Board members/benefits attributed to controlling Company (expressed in %)	0

- B.1.9. List the members of senior management who are not Board members. Also indicate total remuneration due to them during the financial year.**

Name	Position
Miguel Angel Rodriguez Fernandez	Jazz Telecom General Manager

Total remuneration of senior management (in thousands of euros)	120
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- B.1.10. List in general terms if safeguard or guarantee clauses exist for senior management—including executive board members—in the event of dismissal or changes in controlling interest in the company or group. Indicate whether the company or group’s corporate governance bodies have to be informed of such contracts and/or whether they have to be approved by said bodies.**

Number of beneficiaries	1
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	Board of Directors	AGM
Body that authorises clauses	X	

	YES	NO
Is the AGM informed about the clauses		X

- B.1.11. Indicate the procedure used to set Board members’ remuneration packages and the clauses of the articles of association that are relevant in this respect.**

The Appointment and Remuneration Committee of the Company prepares a proposal in this respect to be submitted to the Board of Directors for their approval. The members of the Committee are either independent Board members or in any event non-executive Board members. In the event of a conflict of interest, the relevant Board member shall abstain from voting and shall even leave the meeting temporarily if the proposal concerning his particular remuneration is discussed. This is reflected as such in the minutes of the meeting concerned.

The following is a literal transaction of the relevant section of the Articles of Association of the Company:

Directors’ fees

73. The ordinary remuneration of the Directors shall from time to time be determined by the Directors except that such remuneration shall not exceed £500,000 per annum in aggregate or such higher amount as may from time to time be determined by

Ordinary Resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.

Other remuneration of Directors

74. Any Director who holds any executive office (including for this purpose the office of Chairman or Deputy Chairman whether or not such office is held in an executive capacity), or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise or may receive such other benefits as the Directors may determine.

Directors' expenses

75. The Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or shareholders' meetings or otherwise in connection with the business of the Company.

Directors' pensions and other benefits

76. The Directors shall have power to pay and agree to pay gratuities, pensions or other retirement-, superannuation-, death- or disability benefits to (or to any person in respect of) any Director or ex-Director and for the purpose of providing any such gratuities, pensions or other benefits to contribute to any scheme or fund or to pay premiums.

B.1.12. Should it be relevant, list any board members who are also board members or senior executives of companies holding a significant shareholding in the listed company and/or in companies belonging to its group:

Board member's name or trade name	Trade name of significant shareholder	Position
LEOPOLDO FERNANDEZ PUJALS	PREPSA TRADERS, S.A.	CHAIRMAN

Should they exist, list any significant relationships, other than the ones foreseen in the section above, linking board members to significant shareholders of the company and/or group companies.

Name or trade name of associated	Name or trade name of	Description of
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board member	significant shareholder	relationship
JOSE ORTIZ MARTINEZ	PREPSA TRADERS, S.A.	MEMBER
JAVIER IBAÑEZ DE LA CRUZ	PREPSA TRADERS, S.A.	MEMBER

B.1.13. Should it be the case, indicate any changes made to the Board's regulations during the financial year.

On 2005 there has been no modifications in the Board of Directors Internal Regulations.

B.1.14. Indicate the procedures used to appoint, re-appoint, evaluate and dismiss Board members. List the competent bodies, the steps to be followed and the criteria used in each of these procedures.

Age limit

No age limit exists for the appointment as a Board member.

Retirement by rotation

At each Annual General Meeting:

- (a) any Board member who was elected or last re-elected a Board member at or before the Annual General Meeting held in the third calendar year before the current year shall retire by rotation; and
- (b) such further Board members (if any) shall retire by rotation as would bring the number retiring by rotation up to one-third of the number of Board members in office at the date of the notice of meeting (or, if their number is not a multiple of three, the number nearest to but not greater than one-third).

Selection of Board members to retire by rotation

The Board members to retire by rotation shall include (so far as necessary to obtain the number required) any Board member who wishes to retire and not to offer himself for re-election. Any further Board member so to retire shall be those of the other Board members subject to retirement by rotation who have been longest in office since their last re-election and so that as between persons who became or were last re-elected Board members on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Board member shall be eligible for re-election.

Re-election of retiring Board member

At the meeting at which a Board member retires the office being vacated will be filled by electing thereto the retiring Board member or

some other person eligible for election. In default the retiring Board member shall be deemed to have been re-elected except in any of the following cases:

- (a) where at such meeting it is expressly resolved not to fill such office or a resolution for the re-election of such Board member is put to the meeting and lost;
- (b) where such Board member has given notice in writing to the Company that he is unwilling to be re-elected; or
- (c) where the default is due to the moving of a resolution in contravention of the next following provision.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Board member or a resolution for his re-election is put to the meeting and lost and accordingly a retiring Board member who is re-elected or deemed to have been re-elected will continue in office without a break.

Election of two or more Board members

A resolution for the election of two or more persons as Board members by a single resolution shall not be moved at any General Meeting unless a resolution that it shall be so moved has first been agreed to by the meeting without any vote being given against it; and any resolution moved in contravention of this provision shall be void.

Nomination of Board member for election

No person other than a Board member retiring at the meeting shall, unless recommended by the Board members for election, be eligible for election as a Board member at any General Meeting unless not less than seven nor more than 42 days (inclusive of the date on which the notice is given) before the date appointed for the meeting there shall have been lodged at the registered Office of the Company notice in writing signed by some member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

Election or appointment of additional Board member

The Shareholders' Meeting may by ordinary resolution elect, and without prejudice thereto the Board members shall have power at any time to appoint, any person to be a Board member either to fill a casual vacancy or as an additional Board member, but so that the total number of Board members shall not thereby exceed the maximum number (if any) fixed by or in accordance with the Articles of Association. Any person so appointed by the Board members shall hold office only until the next Annual General Meeting and shall then

be eligible for election, but shall not be taken into account in determining the number of Board members who are to retire by rotation at such meeting.

Vacation of office

The office of a Board member shall be vacated in any of the following events, namely:

- (a) if he shall become prohibited by law from acting as a Board member;
- (b) if he shall resign by writing under his hand left at the Office or if he shall in writing offer to resign and the Board members shall resolve to accept such offer;
- (c) if he shall have a bankruptcy order made against him or shall compound with his creditors generally or shall apply to the court for an interim order under Section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;
- (d) if in England or elsewhere an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs;
- (e) if he shall be absent from meetings of the Board members for six months without leave and the Board members shall resolve that his office be vacated; or
- (f) if, by notice in writing delivered to the Office or tendered at a meeting of the Board members, his resignation is requested by a majority of the directors.

Removal of Board member

The Shareholders' Meeting may in by ordinary resolution of which special notice has been given remove any Board member from office (notwithstanding any provision of the Articles of Association or of any agreement between the Company and such Board member, but without prejudice to any claim he may have for damages for breach of any such agreement) and elect another person in place of a Board member so removed from office and any person so elected shall be treated for the purpose of determining the time at which he or any other Board member is to retire by rotation as if he had become a board member on the day on which the Board member in whose place he is elected was last elected a Board member. In default of such election the vacancy arising upon the removal of a Board member from office may be filled as a casual vacancy.

Qualifications

A Board member shall not be required to hold any shares of the Company by way of qualification. A Board member who is not a member of the Company shall nevertheless be entitled to attend and speak at Shareholders' Meetings.

Appointment of executive Board Members

The Board members may from time to time appoint one or more of their body to be the holder of any executive office (including, where considered appropriate, the office of Chairman or Deputy Chairman) on such terms and for such period as they may (subject to the provisions of the Statutes) determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke or vary the terms of any such appointment.

The appointment of any Board member to the office of Chairman or Chief Executive Officer, Chief Financial Officer, Chief Operating Officer or Vice President - Operations shall automatically determine if he ceases to be a Director but without prejudice to any claim for damages for breach of any contract of service between him and the Company.

The appointment of any Board member to any other executive office shall not automatically determine if he ceases from any cause to be a Board member, unless the contract or resolution under which he holds office shall expressly state otherwise, in which event such determination shall be without prejudice to any claim for damages for breach of any contract of service between him and the Company.

Evaluation prior to appointment

Proposals for the appointment of Board members that the Board of Directors submits for the consideration of the General Meeting, and the appointment decisions that the Board adopts by virtue of the powers attributed to it in article 85 of the Company's Articles of Association, must be proceeded by the appropriate proposal report from the Appointment and Remuneration Committee.

When the Board rejects the recommendations made by the Appointment and Remuneration Committee, it must state the reasons for its rejection and record its reasons in the Minutes of the meeting.

Within the scope of their powers, the Board of Directors and the Appointment and Remuneration Committee shall seek to ensure that the election of candidates is made from among persons of acknowledged soundness, competence and experience, and they must exercise the utmost rigour in relation to those candidates elected to fill the posts of independent Board member.

The Board of Directors may not propose or appoint anyone for filling a post of independent Board member if that person holds an executive position in the Company or is linked for family or any other reasons with any Board member or other senior manager or executive officer of the Company, or is connected to, a significant shareholder in the Company.

In the exercise of its powers to make proposals to the General Meeting and to appoint additional Directors for the purpose of filling vacancies or otherwise, the Board of Directors shall seek to ensure that the composition of the Board is such that non-executive Directors form a majority.

For this purpose, the Managing Director, as appropriate, and those within the Company, shall be regarded as executive Directors.

In the exercise of the above-referred powers the Board shall likewise seek to ensure that the majority group of non-executive Directors shall include both the holders or representatives of holders of major stable stakes in the capital of the Company (shareholder representative Board member) and persons of acknowledged standing who do not have any pre-existing ties with the Company, the director, the managerial team or with major shareholders and can be considered independent (independent Board members).

B.1.15. List the reasons that would oblige Board members to resign.

The Board members must comply with their obligations, particularly those referring to the obligations concerning confidentiality (article 27), non-competition (article 28), information on the purchase of Company shares (article 29), conflicts of interest (article 30), use of corporate assets (article 31) and business opportunities (article 32), as provided in the Internal Regulations of the Board of Directors and in general with the principles of skill and care (article 26).

Non-compliance with any of these obligations would require a member of the Board to resign.

The Board members as a matter of good practice agree to ensure that the obligations referred to above shall apply to themselves directly as Board members as well as to persons related to them or to companies whose assets are controlled by them or in which they hold a managerial post.

B.1.16. Explain if the position of the Company's senior executive coincides with the post of Chairman of the Board. If so, indicate the measures taken to limit the accumulation of responsibilities in a single person.

Yes No

B.1.17. Are qualified majorities required other than the ones required by law for any kind of resolutions?

Yes No

Indicate how resolutions are approved by the Board of Directors, indicating the minimum quorum required and the kinds of majorities needed to adopt them.

The Board members may meet together for the despatch of business, adjourn and otherwise regulate their proceedings as they think fit. At any time any Board member may, and the Secretary at the request of a Board member shall, summon a meeting of the Board members on 3 days' notice. The Board of Directors shall ordinarily seek to meet every month. Notice of a board meeting shall be deemed to be properly given, if given to a Board member personally or sent in writing to him at his last main address given by him to the Company for this purpose. Any Board member may waive notice of any meeting and any such waiver may be retroactive.

The Board shall draw up an annual timetable of ordinary meetings. The Board should spend at least one meeting a year on assessing its functioning and the quality of its work.

A meeting of the Board shall be quorate when it is attended by at least half of its members, whether present or by the appointment of an alternate. The Board members, and any committee of the Board of Directors, shall be deemed to meet together if, being in separate locations, they are nonetheless linked by conference telephone or other communication equipment which allows those participating to hear and speak to each other.

Board members shall do everything possible to make sure that they attend Board meetings, and when they cannot do so in person, they shall endeavour to appoint an alternate under the provisions of Article 107 of the Articles of Association and provide such alternate with appropriate voting instructions.

The Chairman shall organise the debate on the basis of trying to get all Directors to participate in the Board's discussions.

At Meetings each Board member shall have one vote.

Questions arising at any meeting of the Board members shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

B.1.18. Explain if there are any specific requirements that must be met in order to be appointed Chairman, other than the ones applicable to Board members.

Yes No

B.1.19. Indicate whether the Chairman is empowered with a casting vote:

Yes No

Issues needing a casting vote
In the case of an equality of votes, the chairman of the meeting shall have a casting Vote.

B.1.20. Indicate whether the Articles of Association or the Board regulations provide for any age limits for Board members:

Yes No

Age Limit for Chairman	
Age Limit for CEO	
Age Limit for Member	

B.1.21. Indicate whether the Articles of Association or Board regulations provide for a time limit for independent Board members' term of office:

Yes No

Maximum number of years for term of office	0
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B.1.22. Indicate if any formal vote delegation procedures exist for the Board of Directors. If so, explain them briefly.

YES. Section 106 of the Articles of Association provides as follows:

Alternate Directors

1. Any Director may at any time by writing under his hand and deposited at the Office, or delivered at a meeting of the Directors, appoint any person (including another Director) to be his alternate Director, having only such voting rights as the Director being substituted, and may in like manner at any time terminate such appointment. Such appointment, unless previously approved by the Directors or unless the appointee is another Director, shall have effect only upon and subject to being so approved.
2. The appointment of an alternate Director shall determine on the happening of any event which if he were a Director would cause him to vacate such office or if his appointor ceases to be a

Director, otherwise than by retirement at a General Meeting at which he is re-elected.

3. An alternate Director shall be entitled to receive notices of meetings of the Directors and shall be entitled to attend and vote as a Director of the class the substitute belongs to, at any such meeting at which the Director appointing him is not personally present and generally at such meeting to perform all functions of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Articles shall apply as if he (instead of his appointor) were a Director of that class. If he shall be himself a Director or shall attend any such meeting as an alternate for more than one Director, his voting rights shall be cumulative but he shall not be counted more than once for the purposes of the quorum. If his appointor is for the time being temporarily unable to act through ill health or disability his signature to any resolution in writing of the Directors shall be as effective as the signature of his appointor. To such extent as the Directors may from time to time determine in relation to any committees of the Directors the foregoing provisions of this paragraph shall also apply mutatis mutandis to any meeting of any such committee of which his appointor is a member. An alternate Director shall not (save as aforesaid) have power to act as a Director, nor shall he be deemed to be a Director for the purposes of these Articles, nor shall he be deemed to be the agent of his appointor.
4. An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent mutatis mutandis as if he were a Director but he shall not be entitled to receive from the Company in respect of his appointment as alternate Director any remuneration except only such part (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct.

B.1.23. Indicate the number of Board of Directors' meetings held during the financial year. Likewise, indicate the number of times the Board has held meetings with the chairman's absence.

Number of Board meetings	8
Number of Board meetings held without the Chairman's presence	0

Indicate the number of meetings held by the board's various committees during the financial year.

Number of meetings held by the Executive or Delegate Committee	8
Number of meetings held by the Audit Committee	6
Number of meetings held by the Appointment and Remuneration Committee	5
Number of meetings held by the Estrategy and Investment Committee	0
Number of meetings of the Committee	0

B.1.24. Indicate whether the Company's individual and consolidated accounts submitted for the Board's approval had been previously certified:

Yes No

B.1.25. Explain if any mechanisms have been established by the Board of Directors to avoid the individual and consolidated accounts containing audit report qualifications from being submitted to the Annual General Meeting.

Individual and consolidated annual accounts have been elaborated by the financial department of the Company, which is also responsible for attending the auditors' needs to comply with their work.

The final proposal of the annual accounts has been supervised and reviewed by the Audit Committee, and after their approval, the accounts have been presented to the Board of Directors for its approval.

The Audit Committee has a direct relationship with the Auditor of the Company and considers that this body is the ideal and natural way to prevent that the individual and consolidated annual accounts are submitted to the Shareholders' Meeting with qualifications in the auditors' report.

B.1.26. List any measures adopted to ensure that any disclosures made to the stock markets are disseminated in an equitable and symmetric manner.

In order to ensure that all the disclosures made to the stock markets are disseminated in an equitable and symmetric manner the Company has established as its first priority to inform to the Spanish market regulator (*Comisión Nacional del Mercado de Valores* or "CNMV"). Once the CNMV has posted the information in their website, the

information is disseminated throughout the financial community, to the Company's employees and other relevant third parties, such as newspapers, press agencies and the Company's online website. The Company has a person within the organisation responsible for the relationship with the media.

B.1.27. Is the Secretary of the Board of Directors a Board member?

Yes No

B.1.28. Should they exist, indicate any mechanisms established by the Company to maintain the independence of auditors, financial analysts, merchant banks and rating agencies.

A proposal for the appointment of the independent auditors of the Company is made by the financial director of the Company to the Chairman of the Audit Committee, who is an independent Board member, and who will, in turn, present the proposal to the Audit Committee. Upon the approval by the Audit Committee, a proposal will be made to the Board of Directors. Thereupon the proposal for the appointment or reappointment of the auditors will be made to the shareholders at the Annual General Shareholders Meeting.

As for the election of financial analysts, merchant banks and rating agencies, the internal department of the Company will make a proposal to the CEO or Chairman of the Company, as applicable, for final approval by the Board of Directors.

B.1.29. Indicate whether the auditing firm performs any other work for the company and/or its group other than auditing work. If so, declare the amount of fees it has received for such work and its percentage with regard to the total amount invoiced to the company and/or its group.

Yes No

	Company	Group	Total
Amount of non-auditing work (thousands of euros)	0	0	0
Amount of non-auditing work / Total amount invoiced by auditing firm (%)	0	0	0

B.1.30. Indicate the number of years the current auditing firm has uninterruptedly audited the Company's and/or its group's annual accounts. Similarly, indicate the percentage represented by the number of years the current firm has audited the accounts with

regard to the total number of years the Company's accounts have been audited.

	Company	Group
Number of uninterrupted years	8	8

	Company	Group
Number of years accounts audited by current firm / Number of years Company has been audited (%)	100%	100%

B.1.31. Indicate the shareholdings held by Board members in the share capital of companies that have the same, analogous or complementary corporate purpose as the Company and/or its group about which the Company has been informed. Likewise, indicate the positions they hold and the functions they perform in these companies:

Board member's name or trade name	Trade name of the company in question	% shareholding	Position or function

B.1.32. Indicate whether a procedure exists to enable Board members to have access to external advice. If so, provide details of the procedure:

Yes No

Article 24 of the Articles of Association of the Company provides the following:

Article 24.- Expert assistance

- So that they can be assisted in the performance of their duties, non-executive Directors can request that legal advisers, accountants and financial or other experts be taken on at the Company's expense.

Such recruitment must necessarily concern specific problems of a certain import and complexity that have arisen during the course of the Director exercising his post.

2. The request to take on independent advisers has to be brought before the Board of the Company, who can reject the request if, in its opinion:
 - a) it is not necessary for the proper fulfilment of the functions entrusted to the non-executive Directors;
 - b) its cost is unreasonable in view of the importance of the problem and the Company's assets and income; or the technical assistance that is sought can be adequately obtained from experts and technicians within the Company.

B.1.33. Indicate whether a procedure exists to enable Board members to have access to the information they need to prepare for meetings of the Company's corporate governing bodies in due time. If so, provide details:

Yes No

Article 23 of the Articles of Association of the Company provides the following:

Article 23.- Right of information

1. Directors shall freely request information from those senior managers of the Company coming immediately under the Managing Director as appropriate. Directors shall likewise request, via the Chairman, the Vice-Chairman, the Managing Director or the Secretary to the Board, any information that they might consider appropriate concerning the Company. The right of information extends to companies in the Group, whether they are Spanish or foreign.
2. The Chairman, Vice-Chairman, Managing Director or Secretary to the Board of Directors shall attend to requests made by Directors, either furnishing them with the information directly or informing them of the appropriate person to turn to within the Group.

B.1.34. Indicate if liability insurance has been taken out in favour of the Company's Board members.

Yes X

No

B.2. Committees of the Board of Directors

B.2.1. List the Company's governing bodies:

Name of body	Number of members	Functions
Delegate Committee of the Board of Directors	3	Committee with the functions of the CEO, with the amplest powers
Audit Committee	3	Powers of information, advice and proposal in its matters to the Board of Directors
Appointment and Remunerations Committee	3	Powers of information, advice and proposal in its matters to the Board of Directors

B.2.2. List all the Board of Director's committees and their members:

DELEGATE COMMITTEE OF THE BOARD OF DIRECTORS

Name	Position
RAFAEL CONEJOS MIQUEL	Chairman
JOSE ORTIZ MARTINEZ	Member
JOAQUIM MOLINS I AMAT	Member

AUDIT COMMITTEE

Name	Position
LUIS CARLOS CROISSIER BATISTA	Chairman
JOSE ORTIZ MARTINEZ	Member
JOSE LUIS DIEZ GARCIA	Member

APPOINTMENT AND REMUNERATIONS COMMITTEE

Name	Position
PEDRO ANGEL NAVARRO MARTINEZ	Chairman
RAFAEL CONEJOS MIQUEL	Member
JAVIER IBAÑEZ DE LA CRUZ	Member

ESTRATEGY AND INVESTMENT COMMITTEE

Name	Position

B.2.3. Describe the organisational rules, functioning and responsibilities assigned to each of the Board's committees.

Pursuant to the Internal Regulations of the Board of Directors, the Board of Directors shall appoint the following advisory committees made up exclusively of Board members:

- an Audit Committee; and
- an Appointment and Remuneration Committee.

These two committees shall have powers of information, advice and proposal in the matters determined by the following articles. The power of the committees to make proposals does not exclude the power of the Board to decide on these matters on its own initiative once it has obtained a report from the appropriate Committee.

Also in accordance with Article 98 of the Articles of Association and the article 12 of the Internal Regulations of the Board of Directors, the Board of Directors has constituted a Delegate Committee of the Board of Directors with full powers and autonomous to adopt the Agreements in relation with the administration and the management of the Company.

The organisational rules, functioning and responsibilities assigned to each of the Board's committees are as follows, such in accordance with the literal text of the Internal Regulations of the Board of Directors:

Article 13.- Audit Committee

For so long as the ordinary and non-voting shares of the Company remain listed on the Spanish stock exchanges of Madrid, Barcelona, Valencia and Bilbao and on the Spanish Automated Quotation System, and the applicable Spanish rules so require, the Board of Directors shall create and maintain an Audit Committee of the Board of Directors formed by not less 3 nor more than 5 Directors, of whom a majority must be non-executive Directors.

For the purposes of this Article, a Director will be deemed to be an executive Director if he holds a managerial position in the Company or in any subsidiary belonging to its group either under an employment relationship, a professional engagement or otherwise. The chairman of the Audit Committee shall be appointed among the non-executive Directors belonging to the Committee shall be appointed among the non-executive Directors belonging to the Committee for a term not to exceed four years. The chairman of the Audit Committee may not offer himself for re-election until at least one year has elapsed since the expiry of his former office as chairman of the Audit Committee.

Without prejudice to any additional duties which may be entrusted to it by the Board of Directors, the Audit Committee shall perform at least the following duties:

- a. respond to questions posed by shareholders at general meetings in matters falling within the scope of his duties;
- b. issue proposals to the Board of Directors in respect of the auditors to be proposed for appointment by the Company in general meeting;
- c. oversight and supervision of the internal audit department (if any) of the Company;
- d. review of internal financial reporting and control systems and procedures; and
- e. communication with statutory auditors in respect of the audit of the Company's annual accounts or any circumstances which could jeopardise the independence of the auditors, as well as in relation to notices required to be served upon or received by the Company and its auditors in accordance with the applicable legislation on auditing.

The Audit Committee shall meet no less than two times a year and whenever it is summoned by any of its members on three days notice.

2. Any member of the management team or any employee of the Company shall, if so required, be obliged to attend meetings of the Committee, and he shall collaborate with it and provide access to the information that he has available. The Committee may also require the accounts auditors to attend its meetings.
3. For the better fulfilment of its functions, the Audit Committee shall be able to seek the advice of independent professionals, for which purpose the provisions provided in Article 24 herein shall apply.

Article 14.- The Appointment and Remuneration Committee

1. The Appointment and Remuneration Committee shall be composed of 3 Directors, at least 2 of whom must be non-executive Directors.
2. Notwithstanding the other tasks assigned to it by the Board, the Appointment and Remuneration Committee shall have the following basic responsibilities:
 - a. to formulate and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates;
 - b. to report on the proposals for the appointment of Directors so that the Board can proceed directly to their appointment, when appropriate, or otherwise for the Board to take on its proposals and pass them on for the decision of the General Meeting;
 - c. to report on the appointment of Secretary and Vice-Secretary to the Board of Directors;
 - d. to propose the members who are to form part of each Committee of the Board;

- e. to report on the system and annual remuneration of Directors and Secretaries;
 - f. to report on the appointment or dismissal of executive officers coming immediately under the Managing Director;
 - g. to report on the remuneration system for executive officers;
 - h. to report on the appointment of persons who are going to represent the Company on the Boards of Directors of the most important wholly or partly owned companies that the Board decides;
 - i. to report on any transactions that entails or might entail conflicts of interest, major transactions with major shareholders and, in general, on the matters considered in CHAPTER VIII herein.
3. Requests for information to the Appointment and Remuneration Committee shall be formulated by the Board of Directors or its Chairman. Likewise, the Committee must consider any suggestions put to it by the Chairman, members of the Board, Company's executive officers or shareholders.
4. The Appointment and Remuneration Committee shall meet whenever it is convened by its Chairman, who must do so whenever the Board or the Chairman of the Board so requests, and in all cases whenever it is advisable for the satisfactory undertaking of its functions.

B.2.4. Indicate their powers to advice and consult, as well as any powers delegated to each of the committees:

Name of Committee	Brief description
Delegate Committee of the Board of Directors	It has delegated the faculties of the CEO
Appointment and Re-muneration Committee and Audit Committee	The right to advice and propose to inform the Board of Directors
Audit Committee	The right to advice and propose to inform the Board of Directors

C RELATED PARTY TRANSACTIONS

- C.1. List any relevant transactions that have led to a transfer of resources or bonds between the company or group companies and significant shareholders of the company:**

Name or trade name of significant shareholder	Name or trade name of company or group company	Nature of relationship	Type of transaction	Amount (thousands of euros)
PREPSA TRADERS, S.A.	JAZZTEL P.L.C.	Associate	Investment Agreement	62,000

- C.2. List any relevant transactions that have led to a transfer of resources or bonds between the company or group companies and the company's administrators or executives:**

Name or trade name of administrators or executives	Name or trade name of company or group company	Nature of the transaction	Type of transaction	Amount (thousands of euros)

- C.3. List any relevant transactions performed by the company with other companies belonging to the same group, as long as these are not subsumed when the consolidated financial statements are put together and do not form part of the company's normal business activities with regard to its corporate purpose and conditions.**

Trade name of group company	Description of transaction	Amount (thousands of euros)

- C.4. Identify any conflicts of interest that may arise among board members pursuant to Article 125 of the Public Limited Companies Act (*Ley de Sociedades Anónimas*).**

The Company is no aware of any conflicts of interest with respect to any Board members.

- C.5. List any mechanisms set up to detect, identify and resolve possible conflicts of interest between the Company and/or its group and its Board members, executives and significant shareholders.**

Pursuant to the provisions of the Internal Regulations of the Board of Directors of the Company a Board member must refrain from putting himself in a position where there is an actual or potential conflict between his duty to the Company and his personal interests. In that regard, Board members as a matter of general principle should seek to inform the Company duly in advance of any situation that might imply a conflict of interests with the Company or companies in its group and in general should seek to refrain from attending and taking part in discussions concerning matters in which he could have a personal interest.

Moreover, the Articles of Association of the Company provide the following:

Directors' Interests

95 Directors may have interests

Subject to the provisions of the Statutes, and provided that he has disclosed to the Directors the nature and extent of any interest of his, a Director notwithstanding his office:

- (a) may be a party to, or otherwise interested in, any contract, transaction or arrangement with the Company or in which the Company is otherwise interested;
- (b) may be a director or other officer of, or employed by, or a party to any contract, transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;
- (c) may (or any firm of which he is a partner, employee or member may) act in a professional capacity for the Company (other than as Auditor) and be remunerated therefor; and shall not, save as otherwise agreed by him, be accountable to the Company for any benefit which he derives from any such contract, transaction or arrangement or from any such office or employment or from any interest in any such body corporate or for such remuneration and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

96 Restrictions on voting

1. Save as herein provided, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of interests in shares or debentures or other securities of, or otherwise in or through, the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is not entitled to vote.

2. Subject to the provisions of the Statutes, a Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
 - (a) the giving of any security, guarantee 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 or (ii) a debt or other obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (b) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
 - (c) any proposal concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise, provided that he (together with persons connected with him within the meaning of Section 346 of the Act) does not have an interest (as that term is used in Sections 198 to 211 of the Act) in one per cent or more of the issued equity share capital of any class of such body corporate (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);
 - (d) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
 - (e) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors.
3. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments

with the Company or any body corporate in which the Company is interested, the proposals may be divided and considered in relation to each Director separately and in such case each of the Directors concerned (if not debarred from voting under paragraph 96.2(c) above) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

4. If a question arises at any time as to the materiality of a Director's interest or as to his entitlement to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interest of such Director has not been fairly disclosed.

97 Directors' interests - general

For the purposes of the two preceding Articles:

- (a) a general notice given to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any contract, transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such contract, transaction or arrangement of the nature and extent so specified;
- (b) any interest of a person who is connected (within the meaning of Section 346 of the Act) with a Director shall be treated as an interest of the Director; and
- (c) an interest (whether of his or of such a connected person) of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

D RISK CONTROL SYSTEMS

D.1. Provide an overall description of the Company's or its group's risk control policy, listing and assessing the risks covered by the system, along with a justification of the suitability of said systems for each kind of risk.

The Company has a permanent control system in place to minimize risks to which its business is subject and which control takes place with the means, systems and procedures that allow it to identify, evaluate and control the risks

to which it is exposed so that, in case any event may occur, it is able to prevent or reduce its consequences.

D.2. Indicate the control systems set up to assess, mitigate and reduce the main risks faced by the Company and its group.

In order to do so, the Company has identified the following areas where the exposure to risks must be measured and controlled:

a) Risks relating to Network Infrastructure:

The Company analyses the different factors that may prevent the telecommunications services rendered through the Company's own network of being fully operational, minimizing those events that may affect not only the rendering of the services but also its quality, and permitting the restoration of the maximum level of service in the shortest period of time possible. For this purpose, the Company monitors the network on real time basis and has established procedures to solve any problem that may arise in the most satisfactory and fastest way. Additionally, the Company has back up systems in place necessary to assure the continuity of the services.

b) Risks relating to Information Systems:

The Company carries out an analysis of the risks relating to the technological systems that support the business of the Company to assure compliance with the regulations on Personal Data Protection (*Protección de Datos de Carácter Personal*) and the security levels in connection therewith in relation to clients, employees and providers. In addition, the systems area of the Company has implemented various procedures in order to assure the restoration of the information systems in the event of a temporary failure or total break-down. Following the Auditor's recommendations, due to the removal of the principal offices of the Company, Jazztel is going to replicate the systems to make the information available in different places and machines.

c) Risks relating to Human Resources:

The Company carries out an analysis of the different factors that may affect the performance of the main asset of the Company: its employees. In addition, the Company has put into place a plan of prevention of labour risks in order to minimize any risks and to provide for an adequate response in case of any event that may affect health of the employees of the Company.

d) Risk in the users provision

The company actually is making an analysis of some of the services provision process in collaboration with an external consultant. The global target is to identify the improvement actions to reduce the current provision time and to identify corrective actions for short term.

D.3. If any of the risks affecting the Company and its group have actually occurred, indicate the reasons behind them and whether the control systems set up have worked.

As is said in the previous section, within the removal of the principal offices the information systems will be duplicated.

D.4. Indicate whether any committee or other governing body exists charged with setting up and overseeing these control systems. List their functions.

It has been created an Internal Audit Unity dependent of the Audit Committee. Its main work is the verification of the Company financial information that is reported to the Audit Committee and to the Market. The Internal Audit Unity is starting its work. An action Plan has been defined hiring an external consultant to define the risk map and the methodology of the risk analysis.

D.5. Identify and describe the processes used to ensure the various regulations affecting the Company and/or its group are duly complied with.

E SHAREHOLDERS MEETINGS

E.1 Specify the quorum needed to convene a Shareholders Meeting as set forth in the Articles of Association. Describe any differences with the minimum requirements provided by the Public Limited Companies Act (*Ley de Sociedades Anónimas*).

Two members present in person or by proxy and entitled to vote shall be a quorum for all purposes.

If within five minutes from the time appointed for a Shareholder Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, or if during the meeting a quorum ceases to be present, the meeting, if convened on the requisition of shareholders, shall be dissolved. In any other case it shall stand adjourned to such day, time and place as may have been specified for the purpose in the notice convening the meeting or (if not so specified) as the chairman of the meeting may determine.

The chairman of any Shareholder Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or without determining a day for the adjourned meeting) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted

at the meeting from which the adjournment took place. Where a meeting is adjourned without determining a day for the adjourned meeting, the time and place for the adjourned meeting shall be fixed by the Board members. When a meeting is adjourned for 30 days or more or without determining a day for the adjourned meeting, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.

Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

In contrast, pursuant to the Spanish Public Limited Companies Act (*Ley de Sociedades Anónimas*), which does not apply to the Company as it is incorporated in accordance with the laws of England and Wales, a Shareholders Meeting requires, at first call, a quorum of 25% of the share capital; at second call no quorum is required.

Under the Spanish Public Limited Companies Act, in order for a general shareholders meeting to consider the passing of certain special resolutions, such as the issuance of bonds, the increase and decrease of share capital, the merger, de-merger and transformation of the Company and the amendment of the Articles of Association, a quorum is required, at first call, of 50% of the share capital, and a quorum of 25% at second call. To the extent less than 50% of the share capital is represented, the passing of the resolutions requires a two thirds majority vote of those shareholders present and voting.

E.2. Explain the procedure used to adopt corporate resolutions. Describe any differences it may have from the procedure set forth in the Public Limited Companies Act.

The Company is subject to the Companies Act 1985 of England. The substantial differences in relation with the process of adoption of Agreements stated in the Spanish Public Limited Companies Act (*Ley de Sociedades Anónimas*) are the follows:

At any Shareholders Meeting a resolution put to the vote of the meeting shall be decided on a poll and not on a show of hands.

A poll shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers (who need not be members) and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

On a poll votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

A poll shall be taken either immediately or at such subsequent time (not being more than 30 days from the date of the meeting) and place as the chairman may direct. No notice need be given of a poll not taken immediately.

The Spanish Public Limited Companies Act (*Ley de Sociedades Anónimas*) does not provide for any special mechanism in this respect.

In terms of majorities required for the approval of specific resolutions, there are three principal types of resolutions, Ordinary, Special and Extraordinary Resolutions. Ordinary Resolutions are required for general matters requiring shareholder approval, such as appointment of Directors or the Auditors. They are passed by a simple majority of members present and unless the Articles of Association require a different level. Special Resolutions are needed for matters of considerable importance, such as amendments to the Articles of Association or disapplication of pre-emption rights and, consequently, require a 75% majority and at least 21 clear days' notice specifying the intention to propose a resolution as a Special Resolution. Extraordinary Resolutions are required for certain specified, limited, matters, for example, in connection with certain aspects of winding-up. They require a 75% majority and at least 14 clear days' notice specifying the intention to propose a resolution as an Extraordinary Resolution.

Each shareholder has one vote.

Pursuant to the Articles of Association of the Company, no shareholder shall, unless the Board of Directors otherwise determines, be entitled in respect of any share held by him to vote either personally or by proxy at a Shareholders Meeting or to exercise any other right conferred by membership in relation to Shareholders Meetings if any call or other sum presently payable by him to the Company in respect of that share remains unpaid.

Pursuant to the Spanish Public Limited Companies Act (*Ley de Sociedades Anónimas*) all resolutions are adopted by majority vote of those shareholders present and voting at a Shareholders Meeting, except in respect of certain special resolutions, such the issuance of bonds, the increase and decrease of share capital, the merger, split and transformation of the company and the amendment of the articles of association, which, to the extent less than 50% of the share capital is represented, require a two thirds majority vote of those shareholders present and voting.

E.3. List any shareholders' rights concerning Shareholders Meetings that may be different from the ones set forth in the Public Limited Companies Act.

The Company is subject to the Companies Act 1985 of England. There are no substantial differences between the shareholders' rights concerning general shareholders meeting that may be different from the ones set forth in the Public Limited Companies Act.

E.4. Indicate if any measures have been adopted to promote shareholder participation in Shareholders Meetings.

The Company has available for its shareholders a special Investors Relations department where shareholders can obtain any kind of information, within the framework of applicable law.

Moreover, the Company has a website available for its shareholders completely adapted to the requirements of Law 26/2003 of July 17 and Royal Decree 1564/1989 of December 22 as well the further regulations thereof pursuant to Circular 1/2004 of March 17, of the CNMV.

The Company has no restrictions whatsoever, as to the number of shares a shareholder needs to have in order to be able to attend the Shareholders Meetings.

E.5. Indicate whether the position of Chairman of the Shareholders' Meeting coincides with the post of Chairman of the Board. If so, list any measures adopted to ensure the independence and smooth functioning of the general shareholders meetings.

Yes No

List Measures:

The Chairman of the Board of Directors, failing whom a Deputy Chairman, shall preside as chairman at a Shareholders Meeting. If there is no such Chairman or Deputy Chairman, or if at any meeting neither is present within five minutes after the time appointed for holding the meeting and willing to act, the Board members present shall choose one of their number or, if no Board member is present or, if all the Board members present decline to take the chair, the members present and entitled to vote shall choose one of their number to be chairman of the meeting.

The Company feels that the independence and smooth functioning of the Shareholders Meetings is sufficiently safeguarded by way of the detailed procedures contained in the Internal Regulations of the Shareholders Meeting, which will be submitted to the shareholders for their approval at the Annual General Shareholders Meeting of the Company.

E.6. Should it be the case, indicate any changes made to the general shareholders' meeting regulations during the financial year.

No changes were made to the Internal Regulations of the Shareholders Meeting during the financial year.

E.7. Indicate the participation data of any general shareholders' meetings held during the course of the financial year this report makes reference to.

Date of General Shareholders' Meeting	Participation Data			
	% Physically present	% Represented	% Postal votes	Total
30-03-3005	0.0	25.750	0.0	25.750

E.8. Briefly indicate any resolutions adopted at Shareholders Meetings held during the financial year this report refers to and the percentage number of votes each resolution was adopted with.

The Share capital of the Company on 30 March 2005 was €77,645,809.12 and the number of ordinary shares was 970,572,614. The participation of the Shareholders Meeting was 25.725% of the share capital.

- To receive the Company's Annual Accounts and the reports of the Directors and Auditors, included in the Annual Report, for the year ended 31 December 2004. In favour: 249,928,823; Against: 0; Abstention: 0; Result: Approved.
- To elect Leopoldo Fernández Pujals, as a Director of the Company. In favour: 249,928,823; Against: 0; Abstention: 0; Result: Approved.
- To elect José Ortiz Martínez, as a Director of the Company. In favour: 249,928,823; Against: 0; Abstention: 0; Result: Approved.
- To elect Rafael Conejos Miquel, as a Director of the Company. In favour: 249,928,823; Against: 0; Abstention: 0; Result: Approved.
- To elect Luis Carlos Croissier Batista, as a Director of the Company. In favour: 249,928,823; Against: 0; Abstention: 0; Result: Approved.
- To elect Javier Ibáñez de la Cruz, as a Director of the Company. In favour: 249,928,823; Against: 0; Abstention: 0; Result: Approved.
- To elect José Luis Navarro Marqués, as a Director of the Company. In favour: 249,928,823; Against: 0; Abstention: 0; Result: Approved.
- To re-elect Luis Velasco Rodríguez, who retires by rotation, as a Director of the Company. In favour: 249,928,823; Against: 0; Abstention: 0; Result: Approved.
- To approve the Remuneration Report included in the Annual Report. In favour: 249,928,823; Against: 0; Abstention: 0; Result: Approved.
- To increase the authorised ordinary share capital of the Company from £50,000 divided into 5,000,000 non-voting shares of £0.01 each and €102,082,569.52 divided into 1,276,032,119 ordinary shares of €0.08 each, to £50,000 divided into 5,000,000 non-voting shares of £0.01 each, and €130,000,000 divided into 1,625,000,000 ordinary shares of €0.08 each by the creation of 348,967,881 ordinary shares of €0.08 each. In favour: 249,877,423; Against: 51,400; Abstention: 0; Result: Approved.

- To grant generally and unconditionally, subject to the passing of resolution 10, authority to the directors of the Company for the purposes of Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot up to an aggregate nominal amount of €56,715,621.92 of relevant securities (within the meaning of Section 80(2) of the Companies Act 1985). The authority contained in this resolution will expire on 30 March 2010 (save the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired). This authority shall replace any existing authority pursuant to the said Section 80, to the extent not utilised at the date on which this resolution is passed. In favour: 249,928,823; Against: 0; Abstention: 0; Result: Approved.

- To re-appoint Deloitte & Touche LLP as Auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next General Meeting at which accounts are laid before the Company and to authorise the Directors to fix the remuneration of the Auditors. In favour: 249,928,823; Against: 0; Abstention: 0; Result: Approved.

- To renew, subject to the passing resolutions 10 and 11, the power conferred on the Directors by Article 10.3 of the Company's Articles of Association (the right to allot and issue securities excluding the right of first refusal of the current shareholders) for the period ending on the date of the Annual General Meeting in 2010 or on the date which is five years from the date on which this resolution is passed, whichever is the earlier, and for such period, the Section 89 Amount shall be €56,715,621.92, and that by such authority and power the Directors may during such period make offers or agreements which would or might require securities to be allotted after the expiry of such period. In favour: 249,784,949; Against: 143,874; Abstention: 0; Result: Approved.

E.9. Should it be the case, indicate the number of shares needed to take part in a Shareholders Meeting, along with any restrictions in this regard set forth in the Articles of Association.

Each shareholder has one vote.

Pursuant to the Articles of Association of the Company, no shareholder shall, unless the Board of Directors otherwise determines, be entitled in respect of any share held by him to vote either personally or by proxy at a Shareholders Meeting or to exercise any other right conferred by membership in relation to Shareholders Meetings if any call or other sum presently payable by him to the Company in respect of that share remains unpaid.

The Company has no restrictions whatsoever, as to the number of shares a shareholder needs to have in order to be able to attend Shareholders Meetings.

E.10. Indicate and justify and policies adopted by the Company concerning the delegation of votes at Shareholders Meetings.

The Company's shares are currently held in two ways, as follows:

a) Indirectly

In order for shareholders to be able to trade shares in the Company on Spain's *Nuevo Mercado*, it is necessary for the shares to be held indirectly through BT Globenet Nominees Ltd. as common depository for Euroclear and Clearstream (the "**Common Depository**"). Most shares are currently held in this way.

b) Directly

Some shares are currently held directly in the name of the holder or other nominated entity. However these shares are not eligible for trading on the Spanish stock exchanges unless and until they have been registered in book-entry form in Iberclear in accordance with applicable procedures. Any shareholder desiring the benefit of a tradable security should hold his or her shares through the Common Depository system. This will need to be done following special share deposit procedures.

Shareholders who hold their shares directly will have to vote their shares either by attending the meeting in person or by sending a special proxy form, duly completed, to the Company prior to any meeting at the time and place as specified in the notice.

Shareholders interested in shares in the Company held through a participant in Euroclear or Clearstream should follow the procedures of Euroclear or Clearstream for voting and attendance. This will include those holding shares through the settlement and trading arrangements for the markets on which the Company's ordinary shares are listed, being Spain's "*Nuevo Mercado*", whose procedures (including, in the case of Spain's "*Nuevo Mercado*", the requirements of Iberclear) will also need to be adhered to. These will be different from the procedures applying to registered shareholders of the Company.

E.11. Indicate whether the Company is aware of institutional investors' policies on whether or not to play a part in the Company's decisions:

Yes

No

E.12. Indicate the website and how to access corporate governance contents on the Company's website.

The Company's website is www.jazztel.com

At this website there is a special direct access “for shareholders”, and with one click interested parties have direct access to all corporate governance contents of the Company’s website.

F LEVEL OF FULFILMENT OF CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company’s level of fulfilment regarding existing corporate governance recommendations, and, if necessary, why it has not taken such recommendations on board.

In the event of not fulfilling any such recommendations, explain the recommendations, standards, practices and criteria that are applicable to the company.

When the single document refereed to by ORDER ECO/3722/2003 of 26 December has not been drafted, the recommendations contained in the Olivencia and Aldama Reports should be taken as a reference to complete this section.

The Company’s feels that it meets the level of fulfilment regarding existing corporate governance recommendations:

Composition of the Board of Directors

The Board of Directors is formed by 9 Members, three of them are Shareholder Representative Members, representing to Prepsa Traders, S.A., two of them are Executive Members, and four of them are Independent Members.

Functioning of the Board of Directors

The Company has Internal Regulations of the Board (*Reglamento Interno del Consejo*) in place that give detailed regulations on the composition, structure and functioning of the Board of Directors, the appointment and dismissal procedures and the rights and obligations of the Board members.

The Internal Regulations of the Board of Directors provide that the Board of Directors shall ordinarily seek to meet every month. During 2002, 2003 and 2004 the Board has complied with this regulation. During 2005 there has been eight Board of Directors meetings.

Committees

The Company has two permanent Board of Directors’ committees in place:

- a) the Delegate Committee of the Board of Directors
- b) the Audit Committee; and
- c) the Appointment and Remuneration Committee,

Transparency

The Company has a shareholder's customer service, where shareholders can obtain information. Shareholders can contact the customer service by e-mail, telephone or by mail.

Information on corporate governance items regarding the Company is provided annually and is at all times available through the website of the Company, which contains a special part on corporate governance (including relevant facts).

The Company has an Internal Code of Conduct in place governing matters relating to securities markets.

Others

The Company has an Internal Code of Conduct in relation to Stock Market matters.

G OTHER INFORMATION OF INTEREST

If you consider that any other relevant principle or aspect concerning corporate governance practices applicable to your company has not been covered by this report, mention them and explain their contents below.

Any other information, clarification or further details concerning previous sections of the report may be included in this section in as much as they are relevant and not reiterative.

To be more specific, indicate whether the company is subject to foreign legislation concerning corporate governance. If so, include any such information that is required and different from the information required by this report.

The Company is subject to English law concerning corporate governance. To that extent the Company must prepare a so-called Director's Remuneration Report, to be approved by the Board of Directors for subsequent to presentation to and approval by the shareholders at the Annual Shareholders Meeting. This report contains substantially the same information on remuneration, shareholdings and option rights of the members of the Board of Directors as have been included in this Report.

NOTES

EXTENSION TO A.1

The Company has 5,000,000 non-voting shares of 0.01 sterling pounds each.

EXTENSION TO A.2 and A.4

On 20 April 2005 Prepsa Traders, S.A. and Dresdner Kleinwort Wassertein Securities Limited subscribed an stock borrow agreement (146,000,000 ordinary shares of Jazztel, p.l.c.) to guarantee the availability of the 100% of the subjacent shares of the 275,000,000 Jazztel's bonds issued on April 29 2005. These bonds are quoting on the Luxembourg Stock Exchange.

So the significant position of Dresdner Kleinwort Wassertein Securities Limited is completely formed by borrowed shares of Prepsa Trades, S.A.

EXTENSION TO B.1.8 a) and b)

In the information boxes of "Others" should be included the "car compensation".

EXTENSION TO B.1.10

Upon proposal of the Company's Appointment and Remuneration Committee

EXTENSION TO B.1.20

However, at each Annual General Meeting:

(a) any Board member who was elected or last re-elected a Board member at or before the Annual General Meeting held in the third calendar year before the current year shall retire by rotation; and

(b) such further Board members (if any) shall retire by rotation as would bring the number retiring by rotation up to one-third of the number of Board members in office at the date of the notice of meeting (or, if their number is not a multiple of three, the number nearest to but not greater than one-third).

Board members appointed by the Board itself shall hold office only until the next Annual General Meeting and shall then be eligible for election, but shall not be taken into account in determining the number of Board members who are to retire by rotation at such meeting.

EXTENSION TO C.1

Mr. Leopoldo Fernandez Pujals, through Prepsa Traders, S.A., on 18 October 2004 purchased the 24,9% of the share capital of Jazztel, p.l.c. (187,963,385 ordinary shares and 13,769,471.232 convertible bonds) pursuant to a financial agreement of \$62 Million aprox.

On 3 March 2005 Prepsa Traders ask for the conversion of Its Jazztel's convertible bonds and the number of Jazztel's ordinary shares given was 53,786,997. So the final position of Prepsa Traders, S.A. (Mr. Leopoldo Fernandez Pujals) in Jazztel, p.l.c. is 241,750,382

The annual corporate governance report contained herein was approved by the Company's Board of Directors at the Board meeting held on February 24, 2006.