

Lorca JVCo. Ltd. Report on 1Q21

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1. Operating and Financial Review

- **MASMOVIL's commercial momentum continues to be strong**
 - Total customer lines increased to 11.8M in 1Q21 vs. 9.3M in 1Q20 (+27% YoY, +11% YoY excluding Lyca and Ahi+)
 - Broadband lines reached 2.1M (+31% YoY, +24% YoY excluding Ahi+)¹
 - Mobile post-paid 6.6M (+13% YoY)
- **MASMOVIL delivered solid results in 1Q21²**
 - Service revenues totaled €473M in 1Q21 (+18% YoY)
 - Adjusted EBITDA amounted to €184M in 1Q21 (+38% YoY), implying a 34% Margin.
 - Considering L2QA, Adjusted EBITDA represents €795M.
 - Despite the pandemic-driven uncertainty, and the fact that the Spanish market remains competitive, in 1Q21 the Company continued its growth on customers, revenues and EBITDA.
- **MASMOVIL FTTH coverage reaches 100% of Spanish Building Units ("BUs"), delivering best in class quality**
 - Total FTTH coverage, including wholesale access, reached 26.4M Building Units ("BUs") (+8% YoY). Specifically, MASMOVIL's own/usage rights FTTH footprint increased to 14.4M BUs³ (+6% YoY).
 - According to 2020 nPerf's independent report, released in 1Q21, MASMOVIL offered to its customers, on average, the highest download speed during 2020 (147 Mb/s), ahead of main competitors; Vodafone, Movistar and Orange⁴.

¹ Includes c.117k lines of Ahi+ acquired in December 2020

² 1Q21 Lorca JVCo Ltd. Consolidation Perimeter vs. 1Q20 Masmovil Ibercom (Target) Consolidation Perimeter

³ Before Ucles closing.

⁴ https://media.nperf.com/files/publications/ES/2021-01-27_Barometro-internet-fijo-nPerf-2020.pdf

- **Takeover bid for Euskaltel S.A.**

- On March 28, Kaixo Telecom S.A.U., fully owned by Lorca Telecom Bidco, S.A.U., announced a voluntary takeover bid for Euskaltel S.A. for the entire share capital of the company.
- Kaixo Telecom S.A.U. has entered into irrevocable agreements with Euskaltel three largest shareholders, Zegona, Kutxa and C.F. Alba that represent a 52.3% stake. The bid is subject to the acceptance by at least 75% of shareholding and regulatory clearance.
- As a consequence of the takeover relevant synergies are expected, mainly from the activities and contracts related to mobile and fixed network access cost.

- **Ucles transaction**

- The “Ucles” Project, announced on June 12, 2020, was closed on April 30, 2021, following receipt of all required Regulatory approvals.
- As planned, a new FTTH NetCo has been set up, controlled by Onivia (formed by Macquarie, Aberdeen and Daiwa and owning 50.1% of the new NetCo), and MASMOVIL holding 49.9%.
- The new NetCo will own 1.1 million BUs deployed by MASMOVIL for a total consideration of over €400M. On April 30, 2021 MASMOVIL has already transferred c.70% of those BUs, collecting the corresponding proceeds (€282M). The remaining part of the project will be deployed and gradually transferred from May 2021 to mid-2023.
- The NetCo has initially launched operations with two anchor clients, MASMOVIL and Orange, both retaining full ownership for their customers.

- **Operational Initiatives in the period**

- MASMOVIL, jointly with El Corte Inglés, the Spanish leading department store Group, signed a strategic agreement to launch a virtual mobile and fibre operator, which will be carried out through "Sweno" (El Corte Inglés' own brand).
- “Yoigo”, MASMOVIL’s largest brand, launched innovative complementary services aiming to increase customer loyalty, specifically related to:
 - Energy: “EnergyGO” service, providing 100% green electricity (also commercialized under “Masmovil” Brand)
 - Telemedicine: “DoctorGO” launch, a face-to-face service providing access to general medical care via chat or video call
 - Financial Services: A new brand called “MoneyGO” which offers handset financing, mobile phones financing and personal loans.

2. Summarized Financials

- Consolidated Net Debt at the banking group perimeter stood at €3,366M⁵. Consolidated Net Debt Proforma of Ucles project closed on April 2021 (€282M) amounts to €3,084M.

Table 1 – Consolidated Net Debt Overview (€M)

	31/03/2021
TLB (1)	2,119
RCF (1)	150
Bonds (1)	800
Short-term commercial paper	235
Other bank debts and grants (2)	125
Cash & cash equivalents	(63)
Consolidated Net Debt	3,366

(1) Accounted at amortized cost of debt, according to IFRS-EU rules

(2) Includes bank debt, M&A deferred payments and other non-banking debts

Table 2 - Lorca JVCo. Ltd. Unaudited Summarized Consolidated Net Income 1Q21 vs. MMI 1Q20

EUR mill.	MMI 1Q20 (*)	Lorca JVCo. 1Q21 (**)
Service Revenues	401	473
Other revenues	44	54
Revenue	445	527
Adjusted EBITDA	134	184
<i>EBITDA Margin</i>	<i>30%</i>	<i>35%</i>
One offs	(8)	(7)
Net of Capital gain sale of assets and loss impairm.		9
Reported EBITDA	125	186
Depreciation and amortization (1)	(73)	(130)
Reported EBIT	52	56
Net financial expenses (2)	(20)	(47)
Reported Profit before taxes	32	9
Income tax	(10)	1
Reported Net Income/(Loss)	22	10
Adjustments to Reported Net Income/(Loss) (3)	11	33
Adjusted Net Income/(Loss)	33	43

(*) Consolidated Masmovil Ibercom S.A. perimeter

(**) Consolidated Lorca JVCo Ltd. perimeter

(1) Increase in 2021 is mainly due to the amortization of intangible assets as a result of Masmovil take-over

(2) Higher Financial Expenses due to the new Financial Structure

(3) Adjustments includes One offs, amortization of intangible assets, net of their corresponding tax impact.

⁵ Not including the proceeds from the Ucles transaction

Table 3 - Lorca JVCo. Ltd. Unaudited Summarized Balance Sheet 1Q21 vs. MMI 1Q20

EUR mill.	31/03/2020 MMI (*)	31/03/2021 Lorca JVCo. (**)
Assets		
Goodwill and Intangible assets	1,728	5,632
Property, plant and equipment	698	787
Other Non Current Assets	148	186
Deferred tax assets (1)	288	6
Total non-current assets	2,863	6,612
Current assets held for sale	0	48
Inventories	12	4
Trade and other receivables	238	312
Other current assets	180	148
Cash and cash equivalents	195	63
Total current assets	625	576
Total assets	3,487	7,187
Share Capital	3	19
Additional paid in Capital	836	1,832
Retained earnings	22	11
Reserves	(736)	(67)
Own shares	(2)	0
Non-controlling interests	2	5
Total equity	125	1,799
Liabilities		
Long Term Debt (including financial leases)	1,743	2,263
Other financial liabilities	16	813
Other Payables	5	285
Provisions	54	45
Deferred tax liabilities (1)	64	0
Other non-current liabilities	188	183
Total non-current liabilities	2,070	3,590
Short Term Debt (including fin. Leases and comm. paper)	282	491
Other current financial liabilities	419	269
Debts with Group Companies	0	201
Trade and other payables	497	823
Provisions	94	14
Total current liabilities	1,293	1,798
Total liabilities	3,363	5,388
Total equity and liabilities	3,487	7,187

(*) Consolidated Masmovil Ibercom S.A. perimeter

(**) Consolidated Lorca JVCo Ltd. perimeter

(1) Deferred Tax Assets and Deferred Tax Liabilities are presented Net at Lorca JVCo.

- Lorca JVCo Balance Sheet reflects the takeover impacts, mainly in the items related to:
 - Generation of Goodwill and Intangible Assets, as a result of Masmovil Take-over.
 - The Equity provided by the shareholders.
 - The New Debt structure.

Lorca JVCo. Financial Statements 1Q21

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1. Unaudited Statement of Income of the Company 1Q21

EUR mill.	31/03/2020 MMI (*)	31/03/2021 Lorca JVCo. (**)
Revenue	442.4	526.7
Other operating income	16.1	14.0
Merchandise, raw materials and consumables used	(195.1)	(199.3)
Employee benefits expenses	(16.7)	(21.9)
Depreciation and amortisation expense	(73.2)	(130.0)
Impairment and benefit for disposals of fixed assets	0	9.0
Other operating expenses	(121.4)	(142.4)
Other results	0	0
Results from operating activities	52.1	56.1
Finance income	1.4	0.5
Finance costs	(18.7)	(47.6)
Change in fair value of financial instruments	0.0	(0.4)
Exchange differences	(0.0)	(0.0)
Impairment and result from disposals of financial instruments	0	0.7
Net finance cost	(17.3)	(46.9)
Income/(Loss) for the period from continuing operations, before income tax	31.6	9.2
Income tax	(10.1)	1.2
Income/Loss for the period from continuing operations	21.6	10.4
Income/Loss for the period	21.6	10.4
Loss for the period attributable to:		
Equity holders of the Parent	21.6	10.7
Income/Loss for the period	21.6	10.4

(*) Consolidated Masmovil Ibercom S.A. perimeter

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2. Unaudited Balance Sheet of the Company 1Q21

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(*) Consolidated Masmovil Ibercom S.A. perimeter

(**) Consolidated Lorca JVCo Ltd. perimeter

(1) Deferred Tax Assets and Deferred Tax Liabilities are presented net at JVCo.

3. Unaudited Statement of Cash

EUR mill.	YTD 31/03/2020 MMI (*)	YTD 31/03/2021 Lorca JVCo. (**)
Profit/(Loss) from continuing operations	21.6	10.4
Depreciation and amortisation	73.2	130.0
Impairment losses from trade receivables	13.3	8.3
Other Income and Expenses	(6.1)	(2.3)
Net Financial (Income)/Expenses	17.3	47.1
Impairment and benefit for disposals of fixed assets	0.0	(9.0)
Results from investments accounted for using the equity method	3.1	0.0
Changes in working capital and adjustments	(71.5)	(142.7)
Income tax income/(expense)	10.1	(1.2)
Cash flow from operating activities	61.0	40.7
Interest paid	(3.8)	(19.3)
Net cash flow from operating activities	57.2	21.3
Net Capex & Other non current assets/liabilities	(220.2)	(229.1)
Net cash flow from/(used in) financing activities	294.6	189.7
Net increase/(decrease) in cash and cash equivalents	131.6	(18.1)
Cash and cash equivalents at 1 January	63.0	81.4
Cash and cash equivalents at 31 March	194.7	63.3

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(**) Consolidated Lorca JVCo Ltd. perimeter