

Lorca JVCo. Ltd. Report on 2Q21

1. Operating and Financial Review

- **MASMOVIL's commercial momentum continues to be strong**
 - Total lines increased to 11.9M in 2Q21 vs. 10.7M in 2Q20 (+11% YoY).
 - Broadband lines reached 2.2M (+28% YoY, +21% YoY excluding Ahi+)¹.
 - Mobile post-paid 6.9M (+13% YoY).
 - Mobile pre-paid 2.9M (-3% YoY).
 - MASMOVIL continued leading the growth of the Spanish market both in broadband and mobile post-paid markets. On pre-paid, despite the overall decline of the Spanish market (c.-7% YoY)², temporarily affected by Covid-19 pandemic and related mobility restrictions, MASMOVIL has been resilient, with just c.-0.1M lines lost (-3% YoY) and Lyca delivering full contribution even under current operational environment.
- **MASMOVIL delivered solid results in 1H21³**
 - Service revenues totaled €951M in 1H21 (+16% YoY).
 - Adjusted EBITDA amounted to €377M in 1H21 (+36% YoY), implying a 36% margin.
 - Considering L2QA, Adjusted EBITDA represents €755M.
 - Although the Spanish market remains competitive, especially in the value for money segments, the Company continued its growth on customers, revenues and EBITDA in 1H21, leveraging on its strong brand positioning in the different market segments.
- **MASMOVIL FTTH network covers c.100% of Spanish Building Units ("BUs") and its 5G coverage reaches 44% of Spanish population**
 - Total FTTH coverage, including wholesale access, reached 26.5M Building Units ("BUs") (+5% YoY). Specifically, MASMOVIL's own/usage rights FTTH footprint is 13.7M BUs⁴.
 - In 2Q21, Yoigo reached 435 municipalities in 39 provinces with its 5G services, representing 44% of the Spanish population, while total mobile coverage is 98.5%. MASMOVIL Group has 80MHz of 5G spectrum, and today is the operator with the highest level of spectrum per customer in Spain.
- **Ucles transaction**
 - The "Ucles" Project, was closed on April 30th, 2021, after having obtained all required Regulatory approvals.
 - A new FTTH NetCo controlled by Onivia (50.1%) and MASMOVIL (49.9%) was set up, a total of 1.1 million BUs will be transferred for a total consideration c.€400M. At the

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

² Source CNMC

³ 1H21 Lorca JVCo Ltd. Consolidation Perimeter vs. 1H20 Masmovil Ibercom (Target) Consolidation Perimeter

⁴ After Ucles closing implying a transfer of -0,85M own BUs by end of June, now under bitstream agreement.

closing date, the first block of c.70% of these BUs were transferred to the NetCo. At that date, MASMOVIL had already collected the corresponding proceeds (€282M). The remaining BUs are being deployed and will be gradually transferred to the FTTH NetCo until mid-2023.

- **Operational Initiatives in the period**

- In 2Q21 MASMOVIL has become the first telco in Europe to achieve zero net emissions in its operations at Group level, and the European network operator with the lowest absolute residual emissions level. The Group has achieved an average annual CO2 reduction of c.70%⁵ in the last three years.
- MASMOVIL Group - within the framework of its alliance with Ericsson - has selected Ericsson as the supplier of its new Core 5G. Ericsson will deploy the latest 5G Standalone Cloud Native technology to offer the most innovative 5G services to MASMOVIL customers.
- Yoigo, MASMOVIL's largest brand, improved its mobile tariffs by increasing its data allowance on 5G. Also, Lebara, Lycamobile and Llamaya have improved their mobile offers.

Material events subsequent to June 30th 2021: Takeover bid for Euskaltel S.A.

- On March 28th MASMOVIL announced the takeover bid for 100% of Euskaltel's share capital. MASMOVIL's offer was accepted by 97.67% of Euskaltel's shareholders.
- The acquisition closing took place on August 10th with MASMOVIL gaining control of Euskaltel Group. All of Euskaltel's outstanding senior secured debt was repaid on closing date.
- Subsequently, a squeeze out of the non-accepting shareholders was launched. Euskaltel shares were delisted on August 17th and the squeeze out settlement will take place on August 31st.
- The acquisition was entirely funded with debt facilities by drawing under available bridge lines that will be refinanced in the coming months with a mix of debt instruments, which are expected to include, among others, incremental TLB and senior secured notes. At that point in time MASMOVIL will disclose further details on the different elements and rationale of the transaction.

⁵ This rate is much higher than the -4.2% per year between 2015-2030 promoted by the 'Science Based Target initiative' for the ICT sector.

2. Summarized Financials

- Consolidated Net Debt at the banking group perimeter stood at €3,062M.

Table 1 – Consolidated Net Debt Overview (€M)

	30/06/2021
TLB (1)	2,099
RCF (1)	0
Bonds (1)	808
Short-term commercial paper	198
Other bank debts and grants (2)	49
Cash & cash equivalents	(92)
Consolidated Net Debt	3,062

(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. Summarized Consolidated Net Income 1H21 vs. MMI 1H20
(Limited Audit Review)**

Figures in EUR Million	MMI 1H20 (*)	Lorca JVCo 1H21 (**)
Service revenues	817	951
Other revenues	80	103
Revenue	897	1,054
Adjusted EBITDA	277	377
<i>EBITDA Margin</i>	<i>31%</i>	<i>36%</i>
One offs	(20)	(15)
Net Capital gain on sale of assets and loss impairm. (1)	(8)	227
Reported EBITDA	249	589
Depreciation and amortization (2)	(154)	(263)
Reported EBIT	95	327
Net financial expenses	(84)	(96)
Profit/(loss) from associates	(6)	4
Reported Profit before Taxes	5	235
Income tax	(4)	(50)
Reported Net Income/(Loss)	1	184
Non controlling interests	-	1
Adjusted Net Income/(Loss)	1	185

(*) Consolidated Masmovil Ibercom S.A. perimeter

(**) Consolidated Lorca JVCo Ltd. perimeter

(1) Increase in 1H21 is mainly due to accounting of Ucles project

(2) Increase in 1H21 is mainly due to the amortization of intangible assets as a result of MASMOVIL take-over

Table 3 - Lorca JVCo. Ltd. Summarized Balance Sheet 1H21 vs. MMI 1H20 (Limited Audit Review)

<i>In EUR Million</i>	30/06/2020 (*)	MMI	30/06/2021 Lorca JVCo.(**)
Assets			
Goodwill and Intangible assets	1,960		5,375
Property, plant and equipment	711		810
Other non current assets	348		437
Deferred tax assets (1)	293		-
Total non-current assets	3,312		6,622
Inventories	7		2
Trade and other receivables	258		309
Other current assets	184		180
Cash and cash equivalents	248		92
Total current assets	696		583
Total assets	4,008		7,205
Share capital	3		19
Additional paid in capital	836		1,832
Retained earnings and other reserves	(734)		120
Own shares	(5)		-
Non-controlling interests	2		3
Total equity	101		1,973
Liabilities			
Long Term Debt (including financial leases) (1)	2,250		2,264
Other financial liabilities (2)	17		833
Other payables	19		218
Debts with Group companies	-		179
Provisions	52		45
Deferred tax liabilities (3)	83		8
Other non-current liabilities	173		217
Total non-current liabilities	2,593		3,764
Short term debt (including fin. Leases) (4)	420		330
Other current financial liabilities (5)	205		261
Debts with Group companies	-		4
Trade and other payables	536		859
Provisions	153		15
Total current liabilities	1,314		1,468
Total liabilities	3,907		5,232
Total equity and liabilities	4,008		7,205

(*) Consolidated Masmovil Ibercom S.A. perimeter

(**) Consolidated Lorca JVCo Ltd. perimeter

(1) Financial Leases €165MM on 30 June 2020 and €160MM on 30 June 2021.

(2) Mainly Issued Notes accounted at amortized cost of debt, according to IFRS-EU rules

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

(4) Financial Leases €46MM on 30 June 2020 and €36MM on 30 June 2021.

(5) Includes, among other, Commercial paper (€170MM on 30 June 2020 and €198MM on 30 June 2021) and M&A liabilities (€30MM on 30 June 2020 and €47MM on 30 June 2021)

Lorca JVCo Balance Sheet reflects the impact for the takeover of MASMOVIL, mainly in Goodwill and Intangible Assets, the new Debt structure, and Equity provided by the shareholders.