

Lorca JVCo. Ltd. Report on FY20

CONTENT

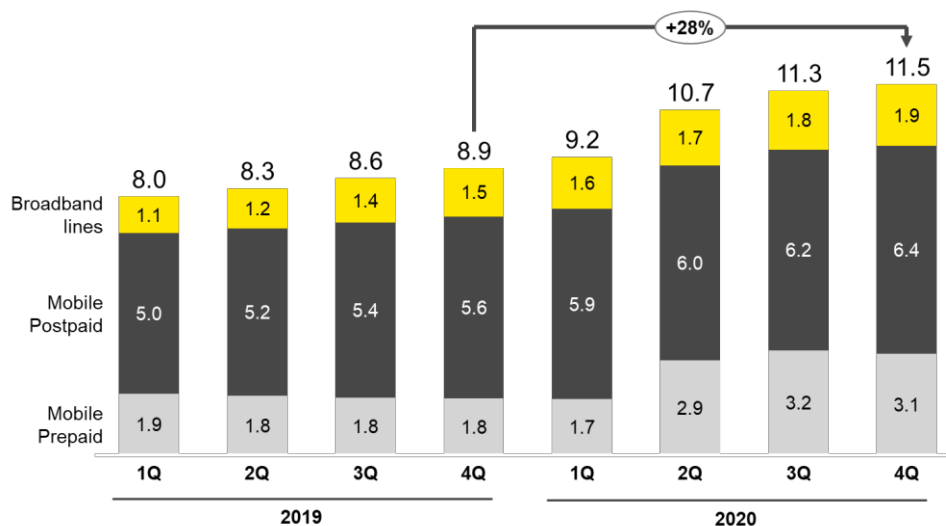
1.	Operating and Financial review	1
2.	Proforma FY20 Summarized Income Statement	5
3.	Consolidated FY20 Summarized Balance Sheet	6
4.	Proforma FY20 Summarized Statement of Cash Flow	7
5.	Relevant events following the closing of the period	8

1. Operating and Financial review

- **MASMOVIL's commercial momentum continues to be strong**

- Total lines increased to 11.5M vs. 8.9M in Q4 2019 (+28% YoY, +13% YoY excluding Lyca):
 - Broadband lines reached 1.9M (+28% YoY), 2.0M proforma the acquisition of Ahi+¹
 - Mobile post-paid lines reached 6.4M (+14% YoY).

Chart 1 – Evolution of Customers (Million lines)



- **MASMOVIL delivered sound organic growth in FY20²**

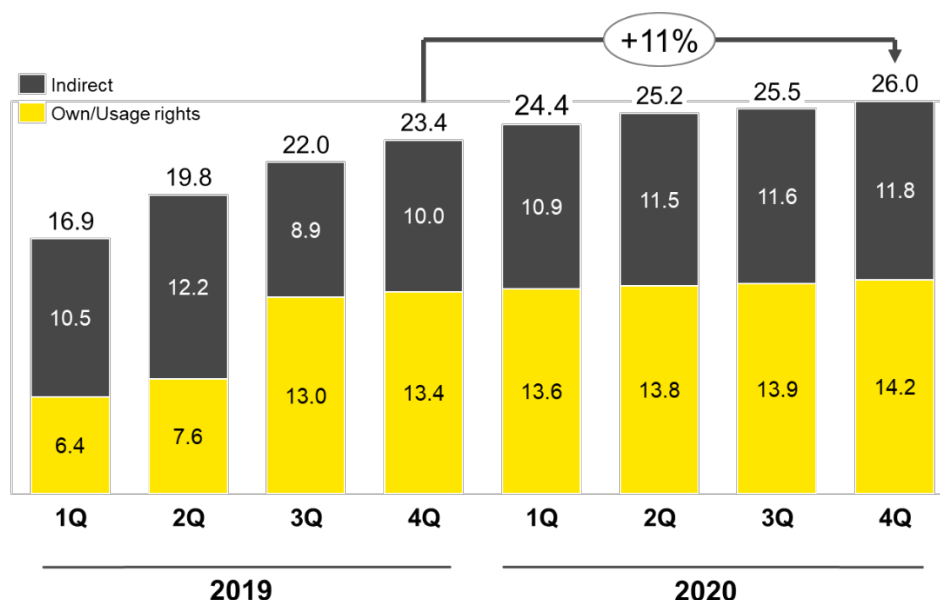
- Service revenues totalled €1,742M FY20 (+19% YoY, +14% YoY organically).

¹ Completed on 15th December 2020

² FY20 Lorca JVCo Ltd. Consolidation Perimeter vs. FY19 Masmovil Ibercom (Target) Consolidation Perimeter

- Adjusted EBITDA amounted to €642M for FY20 (+37% YoY, +32% YoY organically), implying a 33% Margin. It includes the positive contribution from Lyca of €34M since its acquisition on June 12, 2020.
 - Considering L2QA, Adjusted EBITDA represents €730M.
- Despite the impact of COVID and lockdown in 1H20, in FY20 the Company has continued to deliver solid growth in customers, revenues and EBITDA, in line with Company's indications.
- **MASMOVIL FTTH coverage reaches 100% of Spanish Building Units (“BUs”), delivering best in class quality**
 - Total FTTH coverage, including wholesale access, reached 26M Building Units (“BUs”). (+11% YoY).
 - MASMOVIL’s own/usage rights FTTH footprint increased to 14.2M BUs (+6% YoY), equivalent to 55% coverage of all Spanish BUs.
 - During 2020, MASMOVIL reached a new bitstream FTTH agreement with Orange to share over 2.2M newly built BUs. MASMOVIL and Orange have committed an exclusive bitstream use in each other’s new footprint.
 - 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 Orange³.

Chart 2 – Evolution of footprint (Million BUs)



³ https://media.nperf.com/files/publications/ES/2021-01-27_Barometro-internet-fijo-nPerf-2020.pdf

- **Consolidated Net Debt at the banking group perimeter stood at €3,121M⁴**
 - Consolidated Net Debt Proforma for the €282m net proceeds received in April as part of the “Ucles” project (see section 5) amounts to €2,839M. The rest of the proceeds are expected between May 2021 and mid 2023
 - The Senior Debt comprises the following instruments:
 - €2.200M TLB, 7-year bullet (Sept. 2027) EURIBOR + 4,25%
 - €800M Senior Secured Notes, maturing in Sept. 2027, coupon 4,00%
 - €500M Revolving Credit Facility available until March 2027

Table 1 – Consolidated Net Debt Overview (€M)

	31/12/2020
TLB (1)	2,092
RCF (1)	-
Bonds (1)	806
Short-term commercial paper	183
Other bank debts and grants	98
Capital Decrease (Minority holding) (2)	24
Cash & cash equivalents	(81)
Consolidated Net Debt	3,121

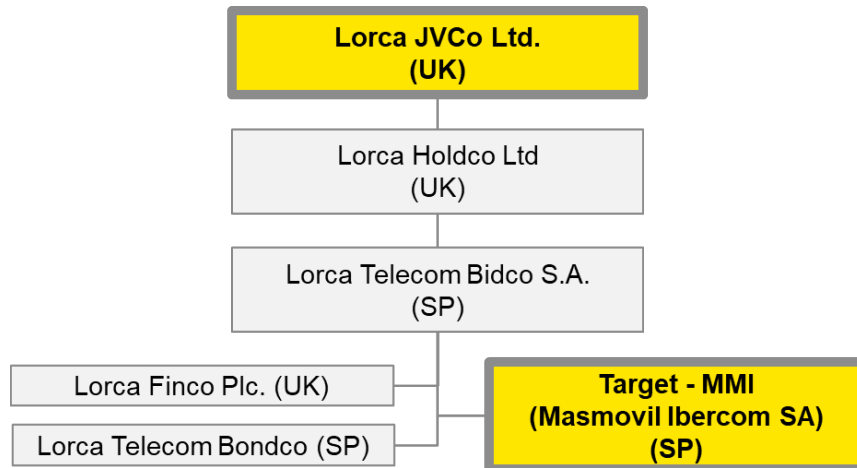
(1) Accounted at amortized cost of debt, according to IFRS-EU rules

(2) Related to acquisition of remaining minority shareholders in the context of the Lorca take private (paid in 1Q21).

- **MASMOVIL acquired the Group of operators Ahi+**
 - In December 2020 MASMOVIL acquired Ahi+, a group of cable operators that provide fixed broadband and mobile telecommunication services, with focus in rural areas. The Company has c.117k FBB customers, and its broadband footprint covers over 350k BUs.
- **Lorca Telecom Bidco S.A.U. owns 100% of the share capital of MASMOVIL**
 - Following the take-private process, Lorca JVCo Ltd. took control of Masmovil Ibercom on September 22, 2020. Therefore, the perimeter of consolidation of the Group has evolved from the target company “Masmovil Ibercom S.A.” in FY19, to “Lorca JVCo Ltd.” in FY20, as presented in the Chart 3, below.

⁴ Not including the proceeds from the Ucles transaction announced on June 12, 2020 and closed on April 30, 2021 following receipt of all Regulatory approvals.

Chart 3 – Evolution of the perimeter of consolidation



- As a consequence, the Income Statement, Balance Sheet and Statement of Cash Flow (attached as Appendix II), are provided on a new scope of consolidation grouping including Lorca JV Ltd. and all its controlled companies.

2. Proforma FY20 Summarized Income Statement

- To facilitate the comparison of Lorca JVCo. Ltd. Financial Statements vs. FY19 Masmovil Ibercom S.A., an Unaudited FY20 Consolidated Proforma Income Statement is provided below, built from the addition of:
 - Lorca JVCo. Ltd. Consolidated Income Statement, and
 - Masmovil Ibercom S.A. Consolidated Income Statement for Q1, Q2 and Q3 2020

Table 2 – Lorca JVCo. Ltd. Summarized Proforma Consolidated Income Statement 2020 vs. Target (Masmovil Ibercom) 2019

EUR mill.	MMI FY19(*)	Proforma Lorca JVCo. FY20 (**)
Service Revenues	1,462	1,742
Other revenues	219	189
Revenue	1,681	1,930
Adjusted EBITDA	468	642
<i>EBITDA Margin</i>	28%	33%
One offs (1)	(18)	(118)
Net of Capital gain sale of assets and loss impairm. (2)	112	(20)
Reported EBITDA	562	504
Depreciation and amortization (3)	(272)	(386)
Reported EBIT	290	117
Net financial expenses	(225)	(226)
Reported Profit before taxes	65	(109)
Income tax	28	31
Reported Net Income/(Loss)	93	(78)
Adjustments to Reported Net Income/(Loss) (4)	61	201
Adjusted Net Income/(Loss)	154	123

(*) Consolidated Figures Masmovil Ibercom S.A. perimeter

(**) Proforma Figures Lorca JVCo Ltd. perimeter following Lyca acquisition

(1) One offs in 2020 are mainly related to take-over bid expenses

(2) Capital gain in 2019 was mainly due to the sale of part of the FTTH network (940k BUs) to Macquarie announced on May 7, 2019 and closed on November 6, 2019.

(3) Increase in 2020 is mainly due to the amortization of intangible assets as a result of Masmovil take-over.

(4) Adjustments includes One offs, previously indicated in note (1), Management incentive plan (SAR), and amortization of intangible assets, net of their corresponding tax impact.

- In 2020, the Group generated Service Revenues of €1,742M (+19% YoY, +14% YoY organically).
- Adjusted EBITDA reached €642M (+37% YoY, +32% YoY organically), increasing the EBITDA margin to 33% (+5pp).
- MMI FY19 Income Statement includes Capital Gain originated by the sale of part of the FTTH network (940k BUs) to Macquarie announced on May 7, 2019 and closed with economic effects on December 1, 2019.
- As a result of the Lorca take over, the Consolidated FY20 Lorca JVCo. Income Statement contains specific items related to the transaction, such as Purchase Price Allocation, depreciation expenses and take-over expenses.

3. Consolidated FY20 Summarized Balance Sheet

- For illustrative purposes, and in order to better understand the evolution of the Balance Sheet, see FY20 Lorca JVCo. vs. FY19 Masmovil Ibercom in Table 3 below. Also, it should be considered, that Consolidation perimeters are not fully comparable.

Table 3 – Lorca JVCo. Ltd. Summarized Balance Sheet 2020 vs. Target 2019 (Masmovil Ibercom)

EUR mill.	MMI FY19 (*)	LORCA JVCo FY20 (**)
Assets		
Goodwill and Intangible assets	1,572	5,251
Property, plant and equipment	648	755
Other Non Current Assets	287	327
Deferred tax assets (1)	294	0
Total non-current assets	2,801	6,333
Current assets held for sale	0	48
Trade and other receivables	219	281
Other current assets	191	131
Cash and cash equivalents	63	81
Total current assets	473	542
Total assets	3,274	6,875
Equity		
Share Capital	3	19
Additional paid in Capital	836	1,832
Retained earnings	93	(65)
Reserves	(828)	(0)
Own shares	(2)	0
Non-controlling interests	2	3
Total equity	104	1,787
Liabilities		
Long Term Debt (including financial leases)	1,524	2,255
Other financial liabilities	16	812
Other Payables	21	80
Provisions	56	47
Deferred tax liabilities (1)	66	8
Other non-current liabilities	181	179
Total non-current liabilities	1,864	3,381
Short Term Debt (including fin. Leases and comm. paper)	163	259
Other current financial liabilities	544	387
Debts with Group Companies	0	201
Trade and other payables	504	837
Provisions	95	23
Total current liabilities	1,306	1,707
Total liabilities	3,170	5,088
Total equity and liabilities	3,274	6,875

(*) 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.

4. Proforma FY20 Summarized Statement of Cash Flow

- To facilitate the comparison of the cash generation of Lorca JVCo. in FY20 vs. Masmovil Ibercom in FY19, an Unaudited Consolidated Proforma FY20 Cash Flow is provided below, built from the addition of:
 - Lorca JVCo. Ltd. Consolidated Cash Flow, and
 - Masmovil Ibercom S.A. Consolidated Cash Flow for Q1, Q2 and Q3 2020

Table 4 - Lorca JVCo. Ltd. Summarized Proforma Cash Flow 2020 vs. Target 2019 (Masmovil Ibercom)

EUR mill.	MMI FY19 (*)	Lorca JVCo. FY20 PROFORMA (**)
Adjusted EBITDA	468	642
Operational Working capital variation and adjustments (1)	(31)	148
Payment/Collection of Interest	(48)	(68)
Corporate Tax	(5)	(26)
Recurrent CF from Operations before Capex	384	696
Net CapEx & Other non-current assets / liabilities (2)	(466)	(415)
Working capital variation from Capex (3)	181	(156)
Recurrent CF from Operations (FCF)	99	125
Cash One-Off (4)	(13)	(251)
Reported CF from Operations	86	(126)
Cash flow from Financial Investments (5)	(73)	(3.328)
Cash flow from Financing (6)	(48)	3.473
Change in cash equivalents	(35)	19
Initial cash & Equivalents	98	63
Final cash & equivalents	63	81

(*) Consolidated Figures Masmovil Ibercom S.A. perimeter

(**) Proforma Figures Lorca JVCo Ltd. Perimeter following Lyca acquisition

- (1) Besides the WC impact originated by the activity growth, this reflects better payment conditions with suppliers and the Lyca payment deferral.
- (2) Capital gain in 2019 includes the sale of part of the Group's FTTH network (940k BUs) to Macquarie announced on May 7, 2019 and closed on November 6, 2019.
- (3) 2020 payments mainly include FTTH coinvestment with Orange and infrastructure agreements with Orange (Pomelo).
- (4) Proforma figure essentially contains SAR (Subscriber Acquisition Rights plan), Take-over expenses and Covid 19 related extraordinary expenses.
- (5) It includes the price paid for the acquired companies during 2020 (takeover of Masmovil and acquisitions of Lyca and Ahf+ Group).
- (6) Proforma contemplates the Group refinancing related to the takeover.

- Net Capex mainly includes Network rollout and Commercial Capex.
- As mentioned, the investment and subsequent sale of infrastructure related to the Ucles project⁵ (closing on April 30th, 2021), have entailed cash proceeds representing €282M⁶. Consequently, Net Capex, Proforma Ucles, would amount to €133M.

⁵ Detailed under "Relevant events following the closing of the period" heading, in this document

⁶ c.70% of total project

5. Relevant events following the closing of the period

• 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.
- Additionally, MASMOVIL will provide the new NetCo with the necessary transmission, operation and maintenance services.
- The NetCo has initially launched operations with two anchor clients, MASMOVIL and Orange, both retaining full ownership for their customers.

• Takeover bid for Euskaltel S.A.

- On March 28, 2021 Kaixo Telecom S.A.U., fully owned by Masmovil Ibercom S.A.U., announced a voluntary takeover bid for Euskaltel. The Takeover Bid was launched for the entire share capital, represented by 178,645,360 shares, at a price of €11.17 per share (maximum total amount to be disbursed €1,995M)
- Kaixo Telecom SAU has entered into irrevocable agreements with Euskaltel three largest shareholders: Zegona, Kutxa and C.F. Alba, representing 52.3% of the shareholding. The successful outcome of the Takeover Bid is subject to the acceptance by at least 75% plus one share voting rights, and regulatory clearance. Additionally, Euskaltel's Board of Directors signed a collaboration agreement by which Euskaltel would provide the reasonably necessary support during the Bid process.
- On 20 April 2021, the Spanish National Securities Market Commission (CNMV) admitted processing the corresponding prospectus and other related documentation submitted on 31 March 2021 by Kaixo Telecom, S.A.U. to CNMV.
- In the event that Kaixo Telecom S.A.U. became the controlling shareholder of Euskaltel, and provided it had obtained the favorable vote of 90% of share capital, the bidder would assume commitments for five years regarding, among others, the maintenance of Euskaltel as a separate company with tax residence in the Basque Country and the maintenance of its brand, employment and network development.

Lorca JVCo. Ltd. Financial Statements FY20

CONTENT

Appendix I: Lorca JVCo. Ltd. 2020 Consolidated Audited Financial Statements, Report of Independent Auditors and 2020 Management Report	1
Appendix II: Masmovil Ibercom S.A. (Target) 2019 Consolidated Audited Financial Statements and, Report of Independent Auditors and 2019 Management Report	1

Appendix I: Lorca JVCo. Ltd. 2020 Consolidated Audited Financial Statements, Report of Independent Auditors and 2020 Management Report

Appendix II: Masmovil Ibercom S.A. (Target) 2019 Consolidated Audited Financial Statements and, Report of Independent Auditors and 2019 Management Report