

Earnings Report FY 2022

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Please note that all 2022 financial data shown in this report is unaudited

Information also available on <http://www.grupomasmovil.com> under section “shareholders and investors”

Key Highlights FY22

- **50/50 JV with Orange España**
 - Regulatory approval process for the announced 50/50 JV with Orange España continues as expected
 - Filing completed in February with Phase I outcome expected by early April
- **New ESG rating from Sustainable Fitch**
 - Rating 2 (77 points achieved)
 - Best in-class out of Spanish telcos
- **MASMOVIL also obtains the rating from CDP**
 - MASMOVIL Group has participated for the first time in the rating on climate change by CDP (Carbon Disclosure Project)
 - CDP has rated the climate change management carried out by Grupo MÀSMOVIL with a B, in line with the main European and global industry players
- **Summary of FY22 key figures:**
 - Service Revenue: +19% YoY as reported, +2% proforma
 - Adjusted EBITDA: +26% YoY as reported, +7% proforma. Adjusted EBITDA margin: 41% c.+3pp YoY, +2pp proforma
 - Underlying¹ Adjusted EBITDA growth in FY22: +14% YoY
 - Client growth: the number of broadband subscribers increased in FY22 by 227K. Mobile postpaid subscribers increased by 565K
 - Number of subscribers: the number of broadband and postpaid mobile subscribers reached 3,293K (+7% YoY) and 9,267K (+6% YoY) respectively
 - Net Income for the period reached €444M (impacted by the book gain from the sale of Netco, recorded within Result from loss of control of associates) vs €189M reported net profit in FY21 (which was also impacted by book gains from sale of fiber footprint under the so-called Ucles project)

1 Adjusted for the non-cash impact of PPA from the tender offer bid on MASMOVIL and applying the same accounting principles for Euskaltel and MASMOVIL

Financial and Operational Results

• **FY22 Revenues:**

- Reported Service Revenues of €2,647M (+19% YoY as reported, +2% proforma)
- Total Revenues of €2,894M (+17% YoY as reported, +2% proforma)

Table 1 – Revenue Split

(€M)	FY21 Reported	FY21 Proforma	1Q22 Reported	1H22 Reported	9M22 Reported	FY22 Reported	YoY Reported FY22/FY21	YoY Proforma FY22/FY21
Service Revenues	2,233	2,593	670	1,324	1,988	2,647	19%	2%
Other Revenues	232	244	63	119	184	247	7%	1%
Total Revenues	2,464	2,837	733	1,443	2,172	2,894	17%	2%

Source: Company

Proforma: Euskaltel is consolidated since August 2021. Proforma figures include Euskaltel's results for the full period to facilitate a like-for-like comparison. No consolidation adjustments have been considered. Proforma figures are also adjusted to consider a full year impact from the August 2021 TV business divestment.

• **FY22 EBITDA:**

- Reported Adjusted EBITDA of €1,199M (+26% YoY as reported, +7% proforma)
- Underlying¹ Adjusted EBITDA growth in FY22: +14% YoY
- EBITDA margin of 41% (c.+3pp as reported, +2pp proforma)

• **FY22 Capex:**

- Total Net Capex reached €470M, out of which:
 - Recurring Capex accounted for €375M (<13% of total revenues)
 - Growth Capex accounted for €95M net of €89M from routers refurbished and other network sales

• **FY22 Cash flow and Net debt:**

- Recurrent Operating CF, calculated as Adjusted EBITDA for the year less Recurrent Capex and the Change in Lease Liabilities (IFRS16 related) amounted to €767M for the period
- Adjusted Cash Flow from Operations reached €131M, once the impact of Growth Capex, Deferred Capex Payments, Interest and Taxes payments as well as NWC adjustments and others are considered
- Reported Net Debt stood at €6.3bn at the end of the quarter
- Total Leverage of 5.1x and Senior Leverage of 4.3x (please see details of the calculations later in this report) with Structuring EBITDA calculated as LTM

¹ Adjusted for the non-cash impact of PPA from the tender offer bid on MASMOVIL and applying the same accounting principles for Euskaltel and MASMOVIL

Table 2 – Key Financials

Key Financials (€M unless otherwise stated)	FY21 Reported	FY21 Proforma	1Q22 Reported	1H22 Reported	9M22 Reported	FY22 Reported	YoY Reported FY22/FY21	YoY Proforma FY22/FY21
Service Revenues	2.233	2.593	670	1.324	1.988	2.647	19%	2%
Total Revenues	2.464	2.837	733	1.443	2.172	2.894	17%	2%
Adjusted EBITDA	949	1.117	277	540	842	1.199	26%	7%
Adjusted EBITDA margin (%)	38,4%	39%	37,8%	37,4%	38,8%	41,4%		
Net Accrued Capex	424		124	257	394	470		
Fiber Network footprint (Mn of BUs)	27,0		27,2	27,5	27,7	28,1		
Cash Flow from Operations	120		-118	-93	-41	131		
Total Leverage Net Debt/Structuring EBITDA (x)	5,0		5,0	5,3	5,2	5,1		

Source: Company

Proforma: Euskaltel is consolidated since August 2021. Proforma figures include Euskaltel's results for the full period to facilitate a like-for-like proxy comparison. No consolidation adjustments have been considered. Proforma figures are also adjusted to consider a full year impact from the August 2021 TV business divestment.

- **MASMOVIL continues its growth trajectory and reaches a total of 15.3M lines including c.3.3M broadband lines, and 9.3M mobile postpaid**
 - At the end of FY22, MASMOVIL reached 15.3M total lines (+5% YoY)
 - Total lines grew over the last quarter by 130K lines

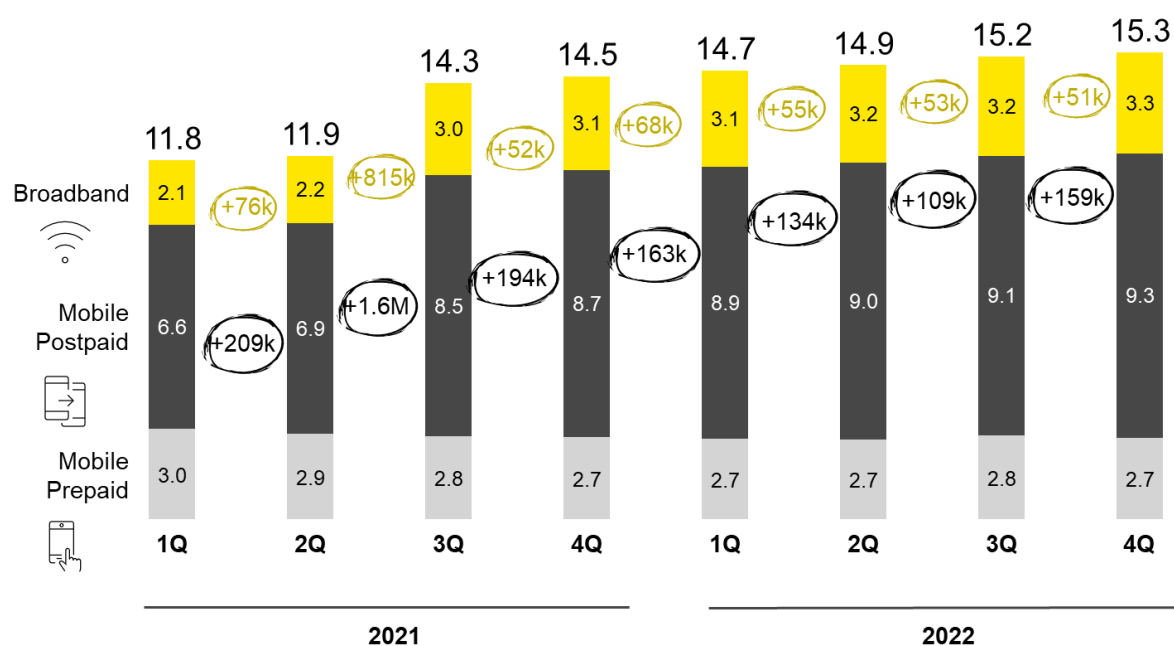
Table 3 – Overview of Customer Base

Mn Lines	FY21 Reported	1Q22 Reported	1H22 Reported	9M22 Reported	FY22 Reported	Delta FY22/9M22	YoY Growth Reported	YoY Growth Proforma
Mobile postpaid	8,7	8,9	9,0	9,1	9,3	0,2	6%	6%
Mobile prepaid	2,7	2,7	2,7	2,8	2,7	-0,1	-1%	-1%
Total Mobile	11,4	11,6	11,7	11,9	12,0	0,1	5%	5%
Broadband	3,1	3,1	3,2	3,2	3,3	0,1	7%	7%
Total lines	14,5	14,7	14,9	15,2	15,3	0,1	5%	5%

Source: Company

Proforma: Euskaltel is consolidated since August 2021. Proforma figures include Euskaltel's data for the full period to facilitate a like-for-like proxy comparison. Therefore, from this quarter, proforma and reported lines are the same.

Chart 1 – Evolution of Mobile & Broadband Lines (millions)



Source: Company

- **Mobile postpaid lines grew +6% YoY**

- In 4Q22, MASMOVIL reached 9,267K mobile post-paid clients, an increase of +159K lines vs. 3Q22

- **Broadband net adds of +51k in 4Q22**

- Broadband lines increased by +51K this quarter, reaching 3,293K BB lines.
- This implies a +7% growth against the number of lines reported in 4Q21

Consolidated Profit and Loss Statement

Table 4 – Summarized P&L (€M)

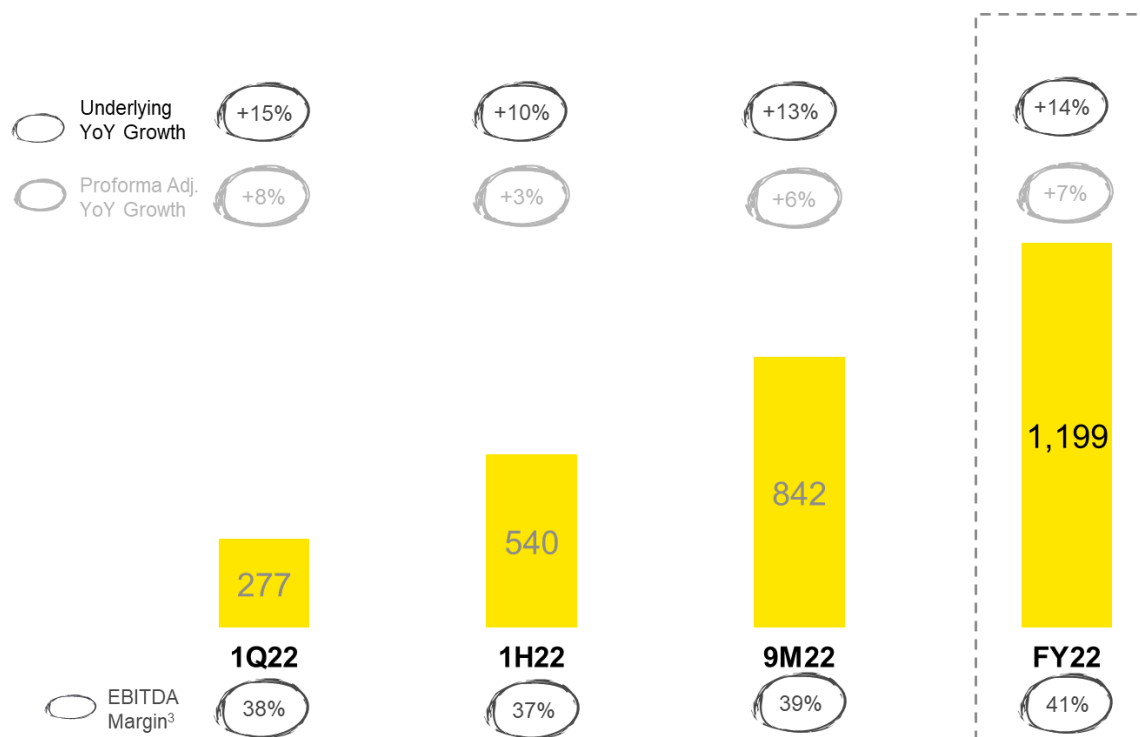
(€M)	FY21 Reported	FY21 Proforma	FY22 Reported	Growth Reported	Growth Proforma
Service Revenues	2,233.4	2,593.0	2,646.8	19%	2%
Other revenues	231.7	243.9	247.5	7%	1%
Revenue	2,465.0	2,836.9	2,894.2	17%	2%
Other operating revenue	110.2	121.4	257.4	133%	112%
Cost of sales	-1,470.5	-1,661.6	-1,783.6	21%	7%
Other operating expenses	-156.1	-179.4	-168.7	8%	-6%
Adjusted EBITDA	948.6	1,117.4	1,199.4	26%	7%
Net one-offs	-93.3	-131.5	-47.4	-49%	-64%
Capital gain on sale of assets and loss impairr	205.1	198.3	0.3	-100%	-100%
Reported EBITDA	1,060.5	1,184.3	1,152.3	9%	-3%
Depreciation and amortization	-680.9	-821.0	-930.2	37%	13%
Result from loss of control of associates			595.4		
Reported EBIT	379.6	363.2	817.5	115%	125%
Net financial expenses	-252.1	-279.8	-371.7	47%	33%
Results from equity-consolidated investments			-24.5		
Reported Profit before taxes	127.5	83.4	421.3	nm	nm
Income tax	61.7	71.1	25.7	-58%	-64%
Income / Loss from continuing operations	189.2	154.5	447.1	nm	nm
Result from discontinued operations net of tax	0.0	0.0	-3.5	nm	nm
Income / Loss for the period	189.2	154.5	443.6	134%	187%

Source: Company

Proforma: Euskaltel is consolidated since August 2021. Proforma figures include Euskaltel's results for the full period to facilitate a like-for-like proxy comparison. No consolidation adjustments have been considered. Proforma figures are also adjusted to consider a full year impact from the August 2021 TV business divestment.

- **Proforma Adjusted EBITDA of €1,199M in FY22 +7% YoY or +14% underlying**
 - FY22 Adj. EBITDA of €1,199M represents a +7% YoY increase vs. FY21 on a proforma basis or +26% on a reported basis
 - EBITDA margin reached 41% in FY22 vs. 39% in FY21 on a proforma basis
 - Underlying Adjusted EBITDA growth in FY22: +14% YoY

Chart 2 – Proforma¹ and underlying² Adjusted EBITDA growth (€M)



1 Euskaltel was consolidated¹ since August 2021. Proforma figures include Euskaltel's results for the full year to facilitate a like-for-like comparison. No consolidation adjustments have been considered. Proforma figures are also adjusted to consider a full year impact from the August 2021 TV business divestment.

2 Adjusted for the non-cash impact of PPA from the tender offer bid on MASMOVIL and applying the same accounting principles for Euskaltel and MASMOVIL

3 Adjusted

Source: Company

Cash Flow Statement

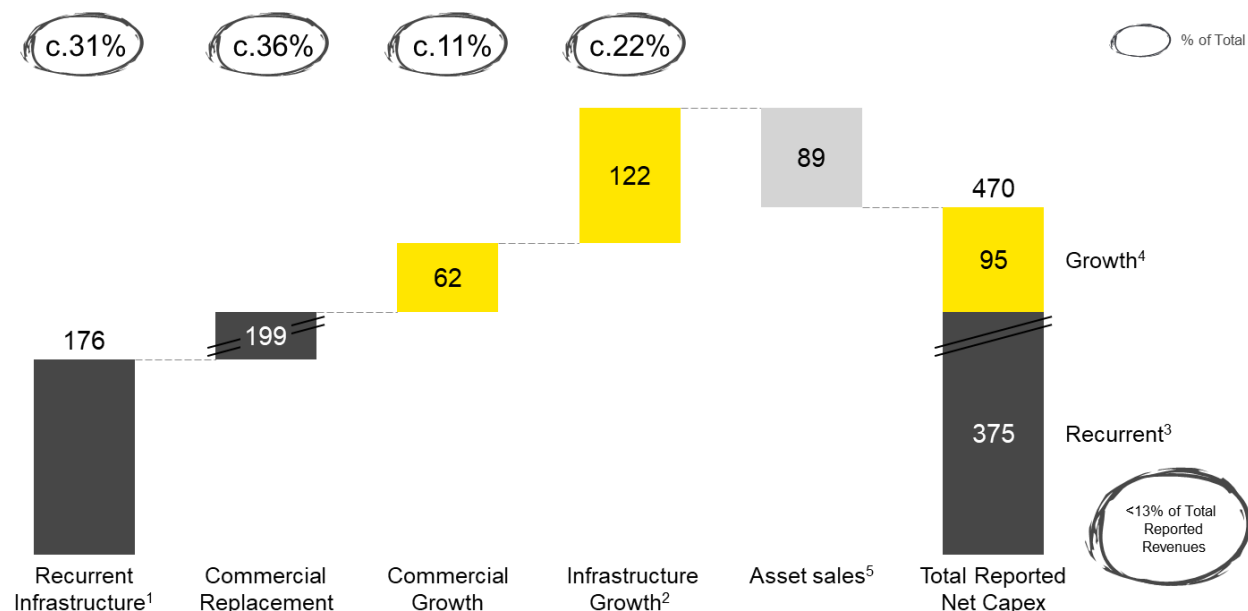
- **Reported Net Capex of €470M in FY22**

Total Reported Net Capex reached €470M in FY22. All Capex figures are on Reported basis. Total Reported Net Capex is split between Recurrent and Growth Capex, the former representing 80% of the Group's Net Capex during the period, while Growth Capex reached the remaining 20%.

Gross of asset sales, Recurrent capex would have accounted for 67% of Net Capex during the period while Growth capex the remaining 33%.

Recurrent capex remains just below 13% of Total Reported Revenues during FY22

Chart 3 – Net Capex FY22 (€M)



1 Includes all maintenance of both fixed and mobile infrastructures, plus IT & spectrum Capex

2 Includes all infrastructure Capex that is not accounted under maintenance infrastructure Capex

3 Includes churn related (replacement) commercial Capex and maintenance infrastructure Capex

4 Net FTTH network deployment & commercial growth-related capex

5 Including routers refurbished and other network sales

Source: Company

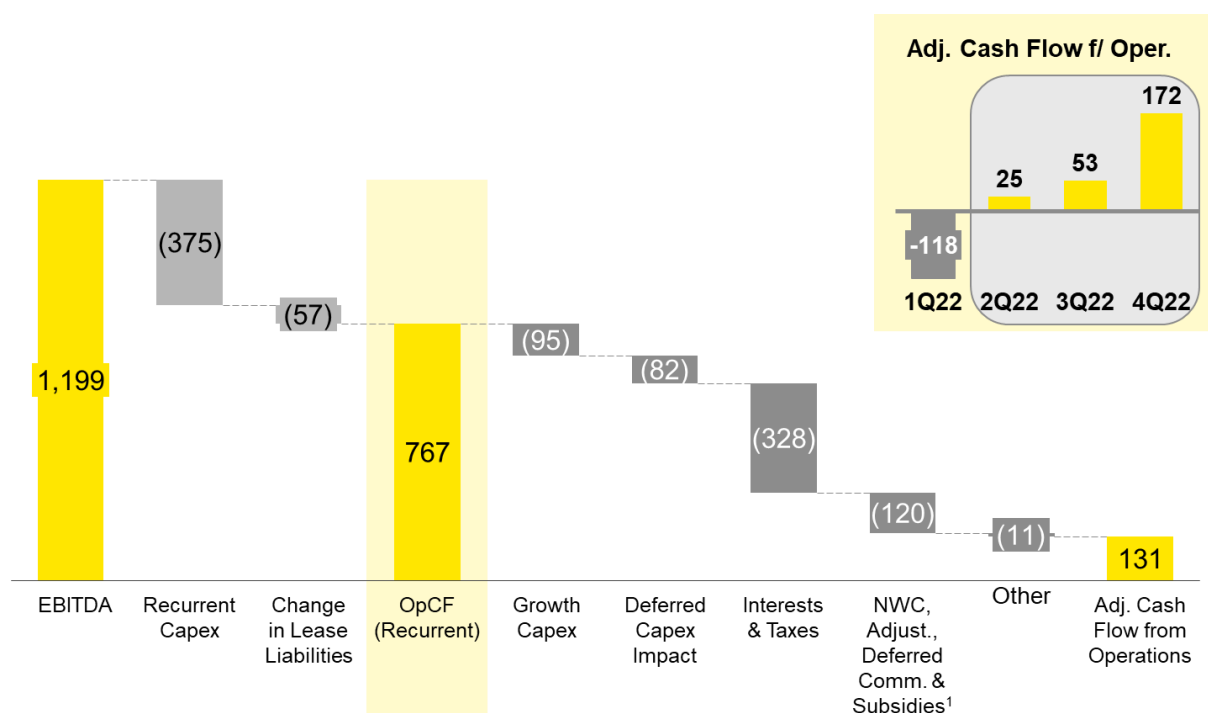
- Recurrent Capex amounted to €375M during the period, of which:

- Infrastructure Recurrent Capex reached €176M in FY22, representing c.31% of Total Capex

It includes mainly Capex devoted to maintenance of Group's both fixed and mobile infrastructure, plus IT and spectrum Capex

- Commercial Replacement Capex amounted to €199M, representing commercial investment required to replace the broadband lines that have churned over the period, for a total of c.36% of Total Capex

- Growth Capex reached €95M in FY22, and is comprised of:
 - Commercial Growth Capex amounted to €62M (c.11% of Total Capex), which represents the commercial investment required to accommodate the net new broadband lines obtained over the period
 - Infrastructure Growth Capex reached €122M, or c.22% of Total Capex. It includes direct investments in growing our network and, the remaining of Infrastructure Capex not accounted for under Infrastructure Maintenance Capex.
 - Asset sales for €89M were mostly driven by routers refurbished and other network sales
- **Adj. Cash Flow f/ Operations of €131M in FY22 (all the below is on Adjusted Reported basis), with positive cash flow from operations since 2Q22**
 - Adj. Reported EBITDA reached, as previously discussed, €1,199M in FY22, while Recurrent Capex amounted to €375M in the same period
 - IFRS16-related change in lease liabilities totaled €57M in FY22
 - The above allowed the Group to report €767M of Recurrent Operating Cash Flow during the period
 - Growth Capex including both commercial and infrastructure capex reached €95M net of asset sales
 - Cash out-flows resulting from the payment of Capex incurred in previous periods (for instance the 2022 installment from the 2019 contract signed with Orange plus some seasonality factors) implied a Deferred Capex outflow of €82M in FY22.
 - Interest and taxes implied €328M of cash outflow, mostly impacted by the higher level of debt since the Euskaltel's acquisition and the payment calendar
 - NWC, Adjustments, Deferred Commissions & Subsidies (including IFRS15 adjustments) were €-120M this quarter
 - Other non-recurring costs and small items for €11M
 - As anticipated in previous earnings results reports, some items like deferred capex payments and NWC have a higher negative impact on Cash Flow from operations at the beginning of the year. Such negative effect is however, fading away throughout the year due to the non-recurring nature of some of these factors (deferred capex payments) combined with a growing Recurrent OpCF. As a result, 4Q22 cash flow from operations was positive (€172M) with last three quarters in a row in positive territory

Chart 4 – Cash Flow from Operations FY22 (€M)


¹ Includes IFRS15

Source: Company

- **Cash Flow movements below Adj. Cash Flow f/ Operations**

- One-offs include integration & migration costs plus accrued penalties for €121M
- M&A proceeds for €449M mostly include the cash inflow from the sale of Netco plus some other small investments and payments

Table 5 – Cash Flow (€M)

(Million €)	FY22
Adjusted EBITDA	1,199
NWC, Adjustments, Deferred Commissions and Subsidies	(120)
Payments from lease liabilities (IFRS16)	(57)
Net Financial expenses	(299)
Corporate tax	(29)
Cash Flow from operations before Capex	694
Accrued Net Capex	(559)
Payments for previous periods Capex	(82)
Cash from sale of assets (includ. special projects)	91
Cash Flow from Capex	(550)
Other	(13)
Adjusted Cash Flow from operations	131
One-offs	(121)
Cash Flow from operations	10
M&A	449
Financing	(585)
Net increase/(decrease) in cash and cash equivalents	(126)

Source: Company

- **Accounting Net Debt, as calculated by the Company, reached €6.3bn at the end of the quarter, a small reduction vs the €6.4bn reported last quarter**
 - The Group's accounting Net Debt reached €6,282M on Company's calculations
 - The Group's nominal Net Debt of €6.4BN as of end of FY22 mainly included:
 - Two TLBs for a total nominal value of €3.2bn: a TLB1 for €2.2bn with 425b.p. margin over Euribor and 9/27 maturity and a TLB2 for 1.0bn with 375b.p. margin on Euribor and same maturity.
 - Senior Secured Notes for €2.35bn on nominal value with 4% coupon and maturity on 9/27
 - Senior Notes for €500M (nominal value) 5.125% coupon & maturity on 9/29
 - Commercial paper for €229M

Other debts which netted of cash accounted for €115M (excluding lease liabilities)

The decrease in Accounting Net Debt from €6.730bn reported at the end of FY21 to €6.282bn reported at the end of FY22, is explained by:

- Adjusted Cash Flow from Operations for €131M
- M&A and Financial Assets cash inflows for a total of €443M including net proceeds from the Netco deal that amounted to €496M cashed in July 2022
- Cash one-off costs for a total of €121M explained by accrued penalties from the Euskaltel acquisition plus migration and integration costs
- Other increases in Net Debt without impact on cash for €11M

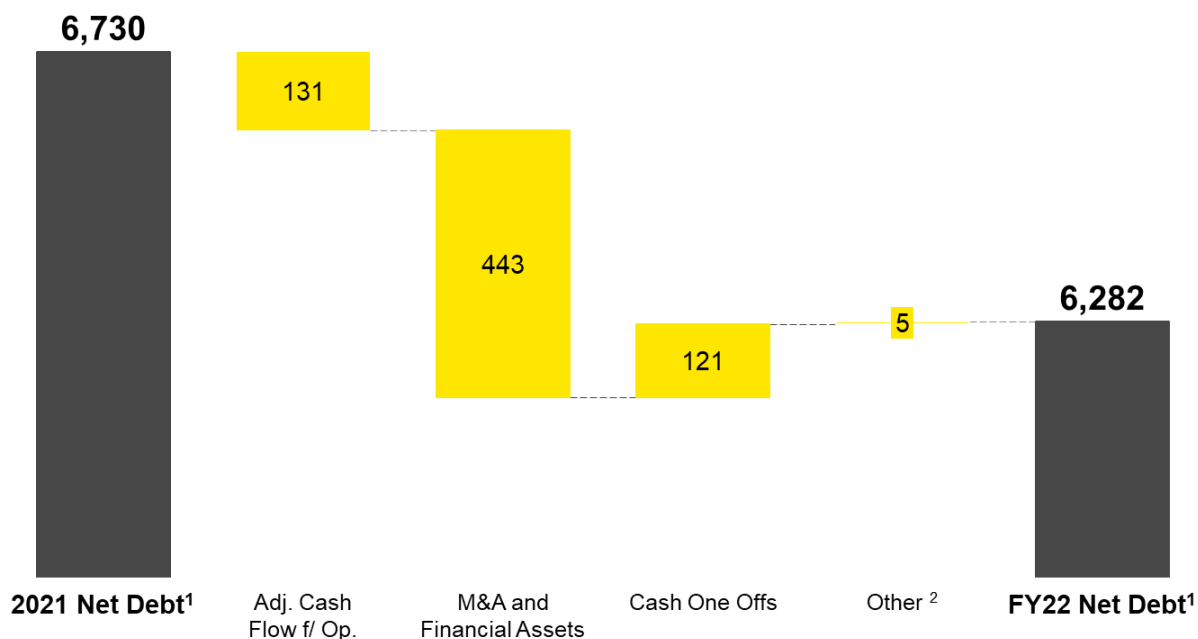
Table 6 – Accounting Net Debt Overview (€M)

(€m)	FY22
TLB	3,102
Senior Secured Notes	2,339
Senior Notes	496
RCF	0
Commercial paper	229
M&A deferred payments	33
Other bank debt, grants, deposits & guarantees	108
Total Gross Debt (as per Company's calculations)	6,309
Cash & Equivalents	27
Group's Net Debt (as per Company's calculations)	6,282

Source: Company

Note: Net Debt is calculated excluding some debts, mainly debts without cash interest charges, with shareholders, and €228M of financial leases under IFRS16 accounting practices

Chart 5 – Change in Accounting Net Debt (€M)



1 As per Company's calculations, includes asset disposal bridge at FY21, excludes IFRS16 financial leases adjustment

2 Includes other accrued debt and interest in B/S

Source: Company

- Total Net Debt LTM¹ leverage of 5.1x and 4.3x on Senior Secured basis**

(€m)	FY22
TLB	3,200
Senior Secured Notes	2,350
Senior Notes	500
RCF	0
Commercial paper	229
M&A deferred payments	33
Other debts	96
Other Debts (grants, deposits and guarantees)	12
Finance leases	222
Cash & Equivalents	-27
Total Net Debt (for leverage)	6,615
LTM Structuring EBITDA	1,286
Total Net Debt LTM Leverage	5.1
Senior Secured Net Debt	5,523
Senior Secured Net Debt LTM Leverage	4.3

Note: The above net debt is nominal (vs. accounting in previous Table) and includes debt from leases

1: LTM Adjusted EBITDA plus synergies, run rate and NetCo Adj.

Source: Company.

Appendix – Lorca JV Co Reported Consolidated Financial Statements

Consolidated Balance Sheet

In thousand of Euro

	31/12/2022	31/12/2021
Assets		
Goodwill	4,470,529	4,466,008
Intangible assets	3,151,323	3,518,685
Property, plant and equipment	1,949,456	1,995,628
Rights of use	216,017	228,454
Costs of obtaining contracts with customers	189,560	133,145
Contract assets	47,593	44,961
Investments accounted for using the equity method	147,096	61,753
Derivative financial instruments	24,701	-
Other investments	35,354	14,014
Prepayments for non-current assets	84,512	54,949
Deferred tax assets	122,669	94,814
Total non-current assets	10,438,810	10,612,411
Inventories	14,411	33,038
Trade and other receivables	400,216	422,103
Costs of obtaining contracts with customers	157,388	88,545
Contract assets	111,173	99,609
Current tax assets	6,541	14,944
Derivative financial instruments	2,013	-
Other investments	30,142	70,504
Prepayments for current assets	32,306	22,492
Cash and cash equivalents	26,973	152,495
Assets classified as held for sale	215,856	21,581
Total current assets	997,019	925,311
Total assets	11,435,829	11,537,722
Equity		
Share capital	20,512	20,512
Share premium	2,030,662	2,030,662
Retained earnings	554,333	87,816
Other reserves	21,086	-
Treasury shares	(482)	-
Equity attributable to equity holders of the Parent	2,626,111	2,138,990
Non-controlling interests	(206)	(622)
Total equity	2,625,905	2,138,368
Liabilities		
Loans and borrowings	3,098,824	3,576,371
Derivative financial instruments	-	836
Other payables	172,102	211,089
Lease liabilities	176,641	188,193
Other financial liabilities	2,804,394	2,875,888
Provisions	80,191	128,670
Trade and other payables	66,046	55,563
Government grants	7,904	5,483
Deferred tax liabilities	-	34,243
Other non-current liabilities	225,992	217,502
Total non-current liabilities	6,632,094	7,293,838
Liabilities related to non-current assets held for sale	143,857	-
Loans and borrowings	100,370	16,337
Current income tax liabilities	14,612	10,490
Other payables	295,764	367,875
Lease liabilities	45,678	46,360
Other financial liabilities	316,986	415,412
Trade and other payables	1,210,446	1,193,854
Provisions	50,117	55,188
Total current liabilities	2,177,830	2,105,516
Total liabilities	8,809,924	9,399,354
Total equity and liabilities	11,435,829	11,537,722

Source. – Company

Consolidated Income Statement

<i>In thousand of Euro</i>	31/12/2022	31/12/2021
Revenue	2,894,216	2,465,019
Other operating income	249,436	83,679
Supplies	(1,185,817)	(958,326)
Employee benefits expenses	(131,395)	(109,195)
Depreciation and amortisation expenses	(930,199)	(680,878)
(Impairment) and gain/(loss) from disposals of assets	333	205,130
Other operating expenses	(674,441)	(625,814)
Result from loss of control of a subsidiary	595,391	-
Operating income	817,524	379,615
Finance income	2,058	5,796
Finance expenses	(374,338)	(252,835)
Change in fair value of financial instruments	1,361	(3,033)
Exchange differences	(1,465)	(169)
(Impairment) and gain/(loss) from disposal of financial instruments	715	(1,061)
Net finance expense	(371,669)	(251,302)
Share of net loss of associates and joint ventures accounted for using the equity method	(24,513)	(780)
Income before income tax	421,342	127,533
Income tax credit	25,720	61,667
Profit for the year from continuing operations	447,062	189,200
Loss for discontinued operations after tax	(3,485)	-
Profit for the year	443,577	189,200
Profit/(loss) for the year attributable to:		
Equity holders of the Parent Company	443,744	188,866
Non-controlling interests	(167)	334
Profit for the year	443,577	189,200

Source. – Company

Consolidated Cash Flow Statement

Thousand Euro

	31/12/2022	31/12/2021
Cash flow from operating activities		
Profit/(Loss) from continuing operations	447.062	189.200
Profit/(Loss) from discontinued operations	(3.485)	
Profit/(Loss) for the year	443.577	189.200
Adjustments for:		
Depreciation and amortisation	930.199	680.878
Impairment losses from trade receivables	56.899	45.382
Change in provisions	6.543	1.636
Government grants recognised	(765)	(1.305)
Exchange differences	1.465	169
Change in fair value of financial instruments	(1.361)	3.033
Capitalization of the cost of obtaining contracts with customers	147.028	47.410
Recognised costs for contractual assets	159.564	126.905
Proceeds from disposal of assets	(333)	(225.432)
Impairment and result from disposals of financial instruments	(596.106)	
Impairment and benefit for disposals of fixed assets	-	20.302
Financial income	(2.058)	(5.796)
Financial expenses	374.338	252.835
Results from investments accounted for using the equity method	24.513	780
Other income and expenses	10.312	43.295
Income tax income/(expense)	(25.720)	(61.667)
Changes in working capital		
- Current assets / liabilities held for sale	(50.418)	(14.839)
- Inventories	18.626	(18.742)
- Trade and other receivables	(35.013)	(94.156)
- Cost of obtaining contracts with customers	(272.286)	(222.081)
- Contract assets	(173.760)	(164.738)
- Other assets and liabilities	(35.927)	(62.058)
- Trade and other payables	(22.170)	87.668
- Provisions	(60.093)	(45.638)
Cash flow from operating activities	897.054	583.041
Interest paid	(301.503)	(159.746)
Income tax received/(paid)	(29.746)	(48.542)
Net cash flow from operating activities	565.805	374.753
Cash flow from investing activities		
Proceeds from investment on financial assets	26.393	
Proceeds from sale of intangible assets	31.863	14.368
Proceeds from sale of property, plant and equipment	64.918	313.006
Proceeds from sale of subsidiaries, net of cash and cash equivalents	579.250	
Payments from sale of financial assets	(4.484)	600
Payments for acquisition of property, plant and equipment	(469.543)	(292.678)
Payments for acquisition of intangible assets	(196.123)	(357.575)
Payments for acquisition of financial assets	-	
Acquisition of subsidiaries, net of cash and cash equivalents	(87.614)	(1.937.676)
Payments for the acquisition of financial assets		
Net cash flow used in investing activities	(55.340)	(2.259.955)
Cash flow from financing activities		
Proceeds from issue of share capital	-	1.136
Proceeds from bank borrowings	1.611.937	3.933.449
Proceeds from Government grants	3.186	
Proceeds from other debts with special characteristics		
Proceeds from other financial liabilities	-	2.558.283
Payments for treasury shares	(482)	
Payments for lease liabilities including interest	(59.875)	(44.091)
Payments for costs of issue of equity instruments	-	
Payments for bank borrowings	(2.004.100)	(3.979.764)
Payment for other financial liabilities	(186.653)	(512.701)
Net cash flow from/(used in) financing activities	(635.987)	1.956.312
Net increase/(decrease) in cash and cash equivalents	(125.522)	71.110
Cash and cash equivalents at 1 January	152.495	81.385
Cash and cash equivalents at 31 December	26.973	152.495

Source. - Company

Disclaimer

FY22 financial data in the report is non-audited

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