GRUPOMASMOVIL

COMMUNICATION OF A RELEVANT FACT

MASMOVIL GROUP

30th October 2019

The following Relevant Fact is provided regarding the company MASMOVIL IBERCOM, S.A. (hereinafter either the "**MASMOVIL Group**" or "**MASMOVIL**" or "**Group**") in accordance with what is laid down in article 17 of Regulation (UE) nº 596/2014 on market abuse and article 228 of the revised text of the Securities Market Act passed by Legislative Royal Decree 4/2015 of 23rd October and subsequent dispositions.

Earnings Report 9M 2019

In Madrid on 30th October 2019

Meinrad Spenger
CEO
MASMOVIL IBERCOM, S.A.

Earnings Report 9M 2019

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Information also available on www.grupomasmovil.com under section “shareholders and investors”

Key Highlights 9M19

- **Strong Service Revenues & Subscriber Growth Remains**
  - Service Revenue growth of +23% YoY in 9M19
  - Postpaid net additions of 373k (131k broadband & 242k mobile) in 3Q19

- **Increased Profitability**
  - Adjusted EBITDA 9M19 of €337M (+40% YoY)
  - EBITDA margin increased from 23% in 9M18 to 28% in 9M19 (+5pp)
  - Adjusted Net Income 9M19 of €84M

- **Network Development Progressing in Line with Plan**
  - MASMOVIL's own FTTH footprint increased to 7.8M Building Units ("BUs") or 13.0M BUs pro-forma for: i) the Orange deal announced on October 1st 2019, which will add 5.2M by YE19 and, ii) the sale of c.1M BUs to an infrastructure fund (expected to close before year end)
  - Fixed Network Development Capex of €195M (incl. 2.7M new BUs deployed in 9M19)
  - Total FTTH coverage increased to 22.0M BUs (including wholesale access)

- **Operational Milestones & Initiatives During the Period**
  - Integration of Netflix streaming service within Agile TV in addition to existing services such as Amazon Prime TV, SKY and Rakuten among others
  - Promotional activity at low level, reduced in line with overall market dynamics
  - Retail channel reinforced through MASLife multibrand shop launch
  - According to a nPerf research study, Grupo MASMOVIL ranked once more as #1 broadband network in Spain in terms of speed (up-/download) and latency[1]
  - Launch of MAS Fijo, a voice product that allows users to replicate a fixed line product (i.e. keeping their fixed telephone number) without incurring any monthly cost for a fixed line as the service is based on a mobile SIM card
  - Connected car initiative - Caser and Renault partnership - commercially launched

[1] nPerf study from July 17th 2019 with 814k users

- **MASMOVIL to sell c.1M FTTH BUs for €217.5M to an International Infrastructure Fund (expected to close before year end)**
- **MASMOVIL signed on September 30th, 2019 comprehensive agreements with Orange Espagne S.A.U. that cover all future 5G needs, significantly increase the size and cost efficiency of our FTTH network, and generate €40M of run-rate Opex savings**
  - MASMOVIL reaches the end of its fixed & mobile network investment phase – the FTTH network will cover cost efficiently c.14.2M BUs by the end of 2020 or 2/3 of all current Spanish FTTH BUs with no need for significant additional investments in its mobile network. Therefore, future annual Capex will decline significantly and OpFCF is forecasted to reach €415–445M by 2021
  - The agreements with Orange are beneficial to MASMOVIL due to the following reasons:
    - Mobile cost stability: mobile roaming contract renegotiation risk is eliminated with contract extension until 2028-2033; the extension includes 5G, attractive economics and the change of the NRA to a future proof and sustainable network capacity-based model
    - Nationwide 5G coverage: solves in a single transaction all future 5G needs across the entire country with sufficient flexibility to accommodate MASMOVIL's growth
    - FTTH network improvement: fiber network increases from 8M to >13M BUs in 2019 (+62%) in a single transaction (and to >14M BUs by 2020); the transaction ensures a quick time to market and improves the cost efficiency of our FTTH footprint, all while payments are spread over 4 years through a vendor financing scheme
    - Capex visibility: required future 5G & FTTH investment will be very limited and materially below any standalone deployment solution, at the same time MASMOVIL significantly increases its infrastructure in terms of access to mobile sites, spectrum and FTTH network
- **MASMOVIL is launching today the repricing of its €1.45Bn Term Loan B (TLB), which was successfully placed in May**
- **MASMOVIL reiterates its recently increased 2019-2021 guidance:**
  - 2019 Service Revenues €1,465M; Adjusted EBITDA €465M; Net Capex €457M
  - 2020 Adjusted EBITDA €570-600M; Margin 30-32%; Net Capex €295M
  - 2021 Adjusted EBITDA €670-700M; Margin 32-34%; Net Capex €255M

9M19 Financial Highlights

- MASMOVIL generated Service Revenues of €1,058M (+23% YoY), and Total Revenues of €1,219M (+17% YoY)
- Adjusted EBITDA of €337M (+40% YoY), reaching an EBITDA margin of 28% (+5pp)
- Reported Net Income of -€21M vs. €57M in 9M18 due to the one-off non-cash impact from the Providence convertible bond repurchase. Reported Net Income to turn positive once the pending sale of the FTTH BUs will be completed before year end
- Total Net Capex of €390M including €118M of Commercial Capex (€81M in relation to customer growth and €37M to churn replacement), and €195M in relation to new FTTH deployments (2.7M BUs in 9M19)
- Growth Capex of €292M (75% of Total Net Capex) reflecting MASMOVIL's continued strong operating momentum
- MASMOVIL's own/usage rights FTTH network coverage increased to 13M BUs (vs. 4.8M BUs in 3Q18), representing c.60% of MASMOVIL's total FTTH footprint of 22.0M BUs in 3Q19
- These 13M BUs mentioned above are pro-forma including usage rights over 5.2M BUs from our new Orange deal, which was announced on Oct 1st 2019 and it also includes the sale of c.1M BUs to an infrastructure fund, which is expected to close before year end
- Net Debt of €1,802M equivalent to a pro-forma leverage of around 3.8x based on 2019 EBITDA guidance of €465M. The net debt level reflects the purchase of the Providence convertible with leverage broadly in line with the guidance provided at the time of the announcement of the new Orange agreement on October 1st, 2019
- Cash Flow from Operations remained positive for the second quarter in a row, which allowed to reduce the -€165M OpFCF reported in 1Q19 to -€120M for the 9M19, therefore 2019 OpFCF guidance remains on track

- **Subscribers**
  - MASMOVIL achieved +131k fixed broadband net adds (in excess of 100k for eight consecutive quarters) and +242k postpaid mobile net adds in 3Q19 (in excess of 190k for nine consecutive quarters)
  - As of 3Q19 MASMOVIL reached 5.4M mobile postpaid lines (+19% YoY) and 1.4M broadband lines (+60% YoY)

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Table 1 – Key Financials

	9M18	9M19	Growth (%) Reported
Lines (M)			
Mobile postpaid	4.6	5.4	19%
Mobile prepaid	1.5	1.8	20%
Broadband	0.9	1.4	60%
Total Lines	**6.9**	**8.6**	**24%**
Key Financials (M€, unless otherwise)			
Service Revenues	859	1,058	23%
Total Revenues	**1,038**	**1,219**	**17%**
Adjusted EBITDA(1)	**240**	**337**	**40%**
Adjusted Net Income	106	84	-21%
Net Debt	**502**	**1,802**	**n.m.**
Key KPIs			
EBITDA Margin (%) (2)	23%	28%	
Net Debt/Adjusted EBITDA (3)	*1.5x*	*3.8x*	
Adj. EPS (fully diluted, €) (4)	3.15	0.64	
Shares Outstanding (M)			
Basic	20.4	131.7	
Fully Diluted(5)	33.7	131.7	

(1) 9M18 figures shown pre-IFRS16. 9M18 Adjusted EBITDA restated post IFRS16 was €282.5M. 9M19 EBITDA growth pre-IFRS16 would be +29% YoY. EBITDA excludes, one-off expenses and stock appreciation rights (long-term management incentive plan)
(2) EBITDA margin 9M19 pre-IFRS16 of 25%
(3) 9M19 leverage calculated as Net debt divided by 2019 Adjusted EBITDA guidance of €465M
(4) 9M18 number of shares adjusted for the 1-for-5 stock split
(5) Calculated based on number of shares outstanding plus Providence investment of €120M in the form of a common equity capital increase at a share price of €18.45 and a €100M capital increase with two leading banks at a share price of €20, both in May 2019.Currently the number of shares outstanding and fully diluted shares are equal

Source: Company

Operational & Financial Review

- **9M19 Service Revenue growth of +23% YoY**
  - Service Revenues grew +23% YoY to €1,058M in 9M19
  - Total Revenues, including equipment and wholesale, grew +17% YoY reaching €1,219M in 9M19
- Other Revenues, which includes mainly Wholesale and Equipment with low margins, declined 10%

Table 2 – Revenue Split

			Growth (%)
€M	9M18	9M19	Reported
Service Revenues	859	1,058	*23%*
Other Revenues	179	161	*(10%)*
Total Revenues	**1,038**	**1,219**	***17%***
Net Revenues[1]	**882**	**1,078**	***22%***

(1) Net Revenues calculated as Service Revenues plus Gross Profit contribution from wholesale and equipment revenues.
Source: Company

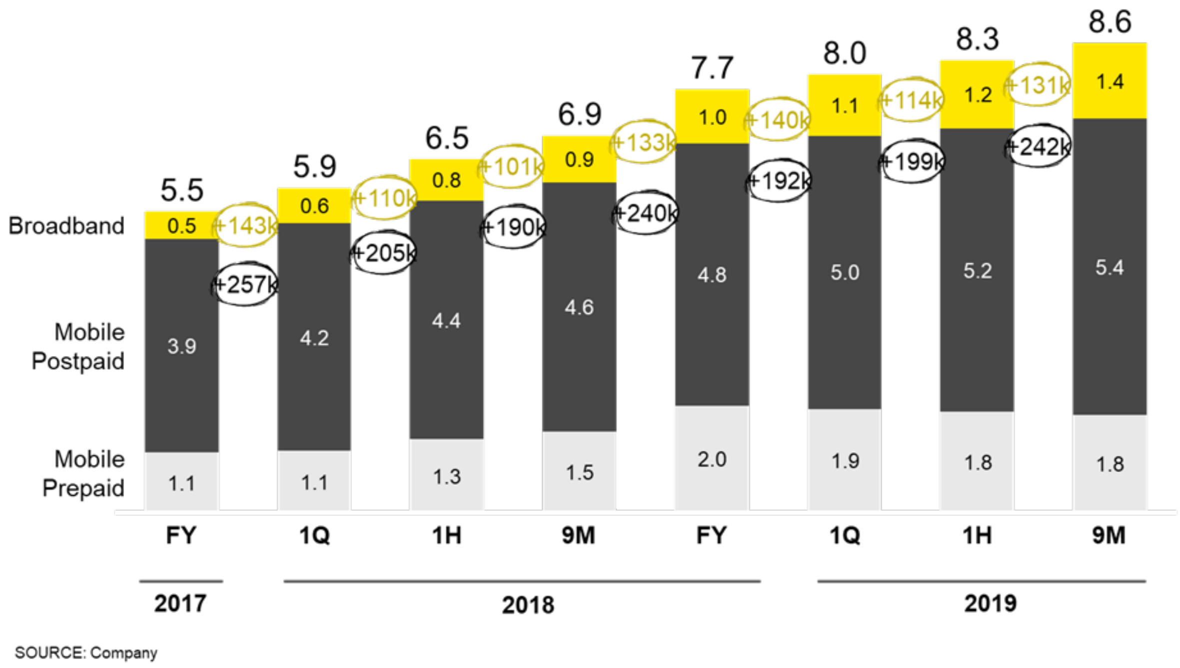
- **MASMOVIL continues its strong growth trajectory and reaches a total of 8.6M lines, including 1.4M broadband lines**
  - At the end of 9M19, MASMOVIL had 8.6M total lines (+24% vs. 9M18)
  - Our multi-brand strategy of addressing different customer segments with tailored value propositions continues to deliver positive results
  - Cross-selling of broadband to existing mobile subscriber base as well as upselling - including Agile TV service - remains on track

Table 3 – Overview of Customer Base

M Lines	9M18	9M19	Delta	Growth
Mobile postpaid	4.6	5.4	0.9	*19%*
Mobile prepaid	1.5	1.8	0.3	*20%*
Total Mobile	**6.0**	**7.2**	**1.2**	***19%***
Broadband	0.9	1.4	0.5	*60%*
Total lines	**6.9**	**8.6**	**1.7**	***24%***

Source: Company

Chart 1 – Evolution of Mobile & Broadband Lines

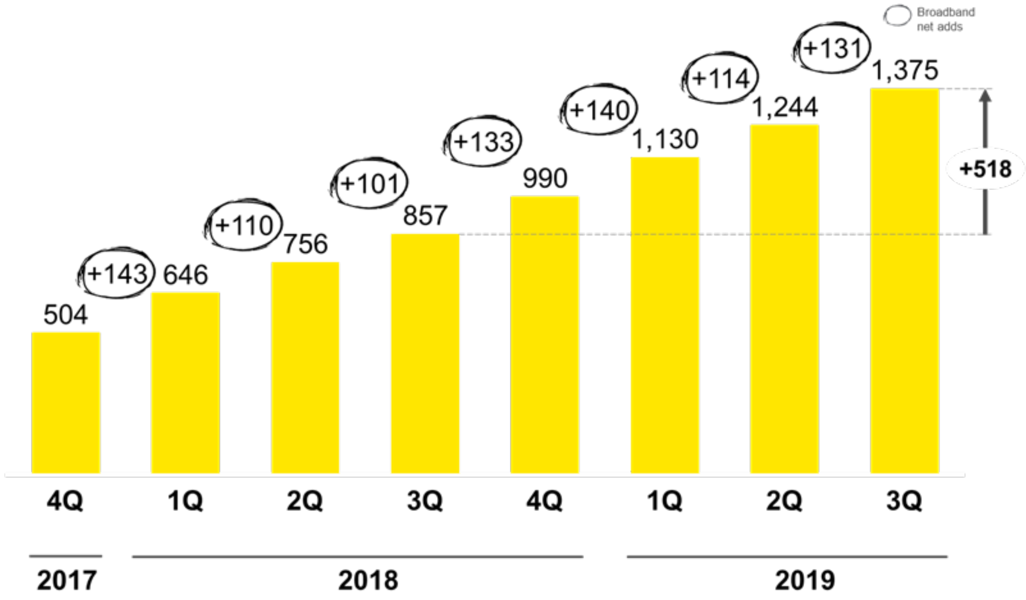


Source: Company

- **Mobile postpaid lines growth of +19% YoY**
  - In 9M19, MASMOVIL reached 5.4M mobile post-paid clients, an increase of +242k lines vs. 1H19
  - The use of its different brands (MASMOVIL, Yoigo, Pepephone, Llamaya and Lebara) with tailored value propositions and sales channels allows MASMOVIL to adequately address customers with different profiles and behavior

- **Broadband net adds of +131k in 3Q19**
  - MASMOVIL added +131k new net broadband lines during 3Q19 (over half a million since 3Q18) resulting in a total of 1.4M broadband lines as of 9M19 (+60% YoY)
  - Broadband net adds in excess of +100k for eight consecutive quarters with 3Q19 net adds of +131k (+30% vs. 3Q18 of +101k)

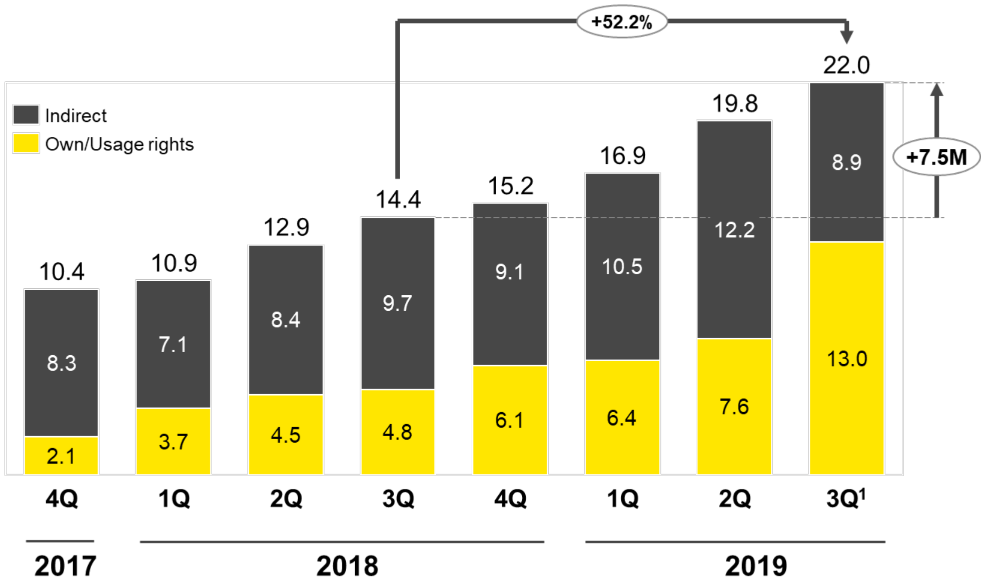
Chart 2 – Evolution of Broadband Lines ('000)



SOURCE: Company

- **FTTH footprint increased to 22.0M BUs, growing 7.5M since 3Q18 (+52% YoY)**
  - The co-invest agreements signed with Orange (several since 2016) and Vodafone (4Q18), our own deployments, as well as the usage rights over 5.2M BUs from our new Orange deal announced on Oct 1st 2019, enabled MASMOVIL to expand its own/usage rights FTTH pro-forma footprint to 13.0M BUs as of 9M19. This figure is also pro-forma for the sale of c.1M BUs to an infrastructure fund (to be closed before year end)
  - An additional 8.9M BUs are accessible through Bitstream agreements with third parties

Chart 3 – Fiber Footprint Expansion



(1) Proforma for Orange deal announced on Oct 1st, 2019 and the sale of c.1M BUs to infrastructure fund (to be closed before year-end)
SOURCE: Company

Consolidated Profit and Loss Statement

Table 4 – Summarized P&L

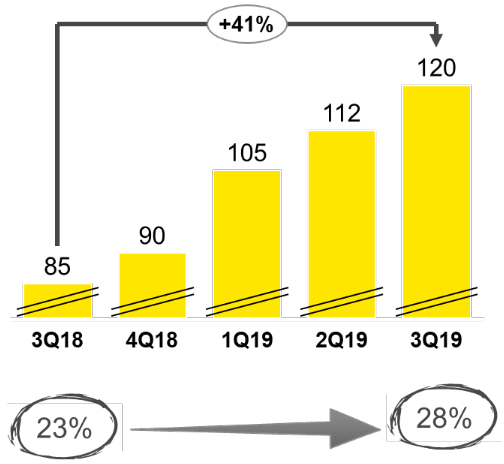
	9M18 Restated	9M18 Reported	9M19 Reported	Growth (%) Rep. vs. Rep.
Service Revenues	859	859	1,058	*23%*
Other revenues	179	179	161	*-10%*
Revenue	**1,038**	**1,038**	**1,219**	**17%**
Other operating revenue	34	34	54	*60%*
Cost of sales	(687)	(730)	(845)	*16%*
Other operating expenses	(103)	(103)	(92)	*-10%*
Adjusted EBITDA (1)	**282**	**240**	**337**	**40%**
Net one-offs	(11)	(11)	(12)	*n.m.*
Reported EBITDA	**271**	**228**	**325**	***42%***
Depreciation and amortization	(147)	(115)	(190)	*n.m.*
Reported EBIT	**124**	**114**	**135**	***19%***
Net financial expenses (2)	(70)	(55)	(160)	*n.m.*
Reported Profit before taxes	**54**	**58**	**(25)**	*n.m.*
Income tax	(1)	(2)	4	*n.m.*
Reported Net Income/(Loss)	**54**	**57**	**(21)**	*n.m.*
Sum of the "Adjustments"	45	50	106	*n.m.*
Adjusted Net Income/(Loss) (3)	**98**	**106**	**84**	**-21%**

(1) 9M19 EBITDA pre-IFRS16 growth YoY would have been +29%
(2) Including non-cash financial expenses of €93M related to the one-off non-cash accounting derived from the convertible bond acquisition in 2Q19
(3) Please see next table the list of adjustments
Source: Company

- **Adjusted EBITDA post IFRS16 of €337M in 9M19 (+40% YoY or +29% YoY pre-IFRS16)**
  - 3Q19 EBITDA of €120M represents a €8M QoQ increase vs. 2Q19

- EBITDA margin reached 28% in 3Q19 (26% pre-IFRS16) vs. 23% in 3Q18

Chart 4 – Quarterly Adjusted EBITDA[1] Performance (€M)



1 EBITDA Post IFRS16 in 2019. For 2018, EBITDA is shown pre-IFRS16. Pre-IFRS16 EBITDA growth YoY would have been +31% for 3Q19 and +29% for 9M19, respectively

Source: Company

- **Adjusted Net income for 9M19 of €84M and Reported Net Income of -€21M**
  - Adjusted Net Income of €84M after adjusting for the following one-offs and other non-business-related accounting charges:
    - Net operative one-offs of €12M. These costs relate to the migration of the different national roaming contracts and one-off integration costs
    - Amortization of acquired customer base and brand for €21M
    - €9M linked to management's long-term incentive plan
    - Non-cash financial expenses of €99M related mainly to the one-off accounting loss derived from the convertible bond acquisition in 2Q19. The -€160M financial result for 9M19 would have been -€61M excluding one-off, non-cash charges related to the re-purchase of the convertible
    - Tax impact of the above-mentioned adjustments of -€35M€

Adjusted EPS for the period of €0.64 based on 131.7M shares outstanding. The number of shares includes 11.5M shares from the equity capital increases in 2Q19. Since May 2019, the number of shares outstanding and the number of fully diluted shares are the same.

Table 5 – Adjusted Net Income and EPS

	9M19
Reported Net Income/(Loss)	**(21)**
Operative one-offs	12
Amortization of acquired customer base & brand	21
Management incentive plans (SAR)	9
Non-cash impact convertible purchase	99
Tax impact of "Adjustments"	(35)
Adj. Net Income/(Loss)	**84**
Number of shares (million)	131.7
Adj. EPS (€)	**0.64**

Source: Company

Consolidated Balance Sheet

Table 6 – Consolidated Balance Sheet

	FY18 Restated	FY18 Reported	9M19 Reported	Delta Rep. vs. Rep
Non current assets	**2,317**	**2,172**	**2,604**	**432**
Intangible assets	1,382	1,212	1,521	309
Property. plant and equipment	604	610	717	107
Other non current assets	80	104	119	14
Deferred tax assets	251	246	248	2
Current assets	**481**	**481**	**694**	**213**
Inventories	1	1	15	14
Trade and other receivables	238	238	281	43
Other current assets	144	144	174	31
Cash and cash equivalents	98	98	224	126
Total assets	**2,797**	**2,653**	**3,298**	**645**

	FY18 Restated	FY18 Reported	9M19 Reported	Delta Rep. vs. Rep
Equity	**461**	**476**	**(102)**	**(578)**
Share capital	2	2	3	0
Additional paid in capital	616	616	836	220
Reserves and other equity instruments	(157)	(143)	(941)	(798)
Non-current liabilities	**1,388**	**1,257**	**1,696**	**439**
Long term debt	889	769	1,353	584
Other financial non-current liabilities	178	178	46	(131)
Provisions	105	105	56	(50)
Other non-financial non-current liabilities	145	145	177	32
Deferred tax liabilities	72	61	65	4
Current liabilities	**948**	**920**	**1,704**	**784**
Current portion of long term debt	329	322	382	60
Other financial current liabilities	32	13	611	598
Payables of special nature	-	-	91	91
Provisions	34	31	64	33
Trade and other payables	554	554	556	2
Total equity and liabilities	**2,797**	**2,653**	**3,298**	**645**

Source: Company

- **Repurchase of Providence convertible in full and refinance of existing debt**
  - In May 2019, MASMOVIL completed the full repurchase of the Providence convertible financed with a combination of debt and equity. As part of the transaction the Company refinanced the majority of its existing debt. The repurchase of the convertible, for a total amount of €883M, was structured in two tranches, the first of €351M already paid in May and €533M payable in December 2019 (the final price of this tranche is subject to a collar adjustment based on the future evolution of the MASMOVIL's share price). The repurchase has been funded with a €1,450M of covenant-lite Term Loan B ("TLB") priced at E+325bps and 7 years bullet maturity (2026)
  - MASMOVIL is launching today the repricing of this TLB
  - As part of the restructuring of its capital structure, MASMOVIL additionally raised €120M of common equity from Providence at a share price of €18.45 in the form of 6.5M newly issued shares and a capital increase of €100M by two leading financial institutions at a share price of €20 in the form of 5.0M newly issued shares

Table 7 – Net Debt Overview

	FY18	9M19	Delta 9M19 vs. FY18
Short-term commercial paper	-	50	50
Senior debt	680	1,223	543
Bonds	28	27	(0)
Junior debt	120	-	(120)
Debt with Providence	131	545	413
IFRS 16	148	144	(5)
Other debts	41	36	(5)
Cash & cash equivalents	(98)	(223)	125
Net Debt	**1,050**	**1,802**	**752**
x Adjusted EBITDA (1)	*3.2x*	*3.8x*	
Providence convertible	(131)	-	131
ACS convertible	-	-	-
Net Debt (excl. convertibles)	**918**	**1,802**	**883**
x Adjusted EBITDA (1)	*2.8x*	*3.8x*	

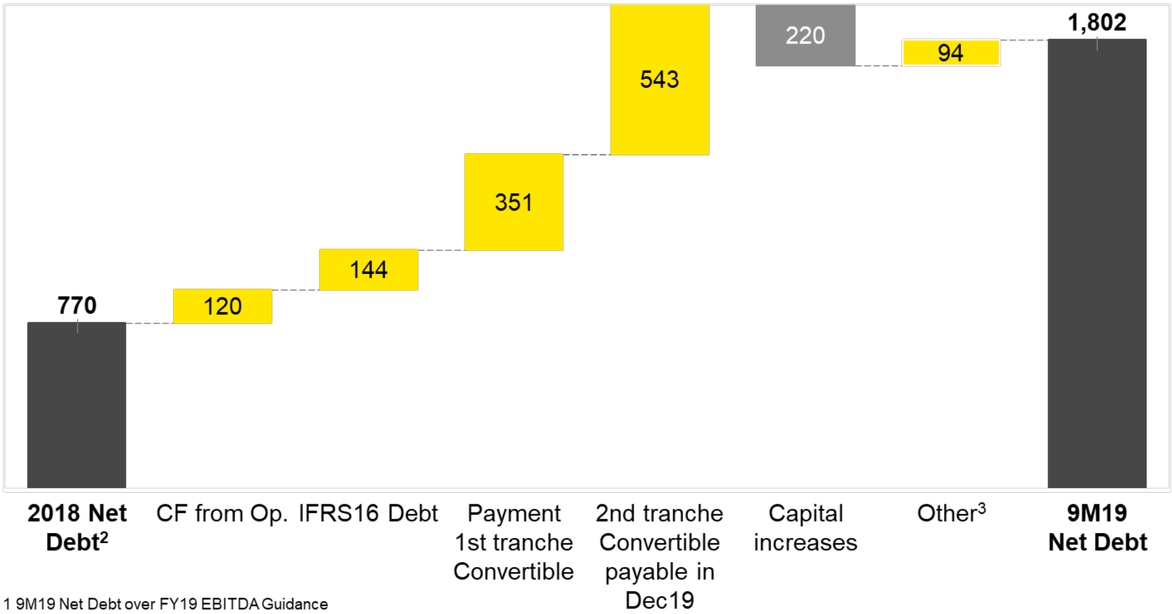
(1) Leverage calculated as Net debt excluding convertibles divided by Adjusted EBITDA for 2018 and Adjusted EBITDA guidance for 2019

Note: FY18 figures shown post-IFRS16

Source: Company

- The change in net debt is largely driven by the repurchase of the Providence convertible bond in 2Q19, together with a negative Cash Flow from Operations and the impact of IFRS16

Chart 5 – Change in Net Debt (€M) resulting in around 3.8x pro-forma leverage[1] as of 9M19



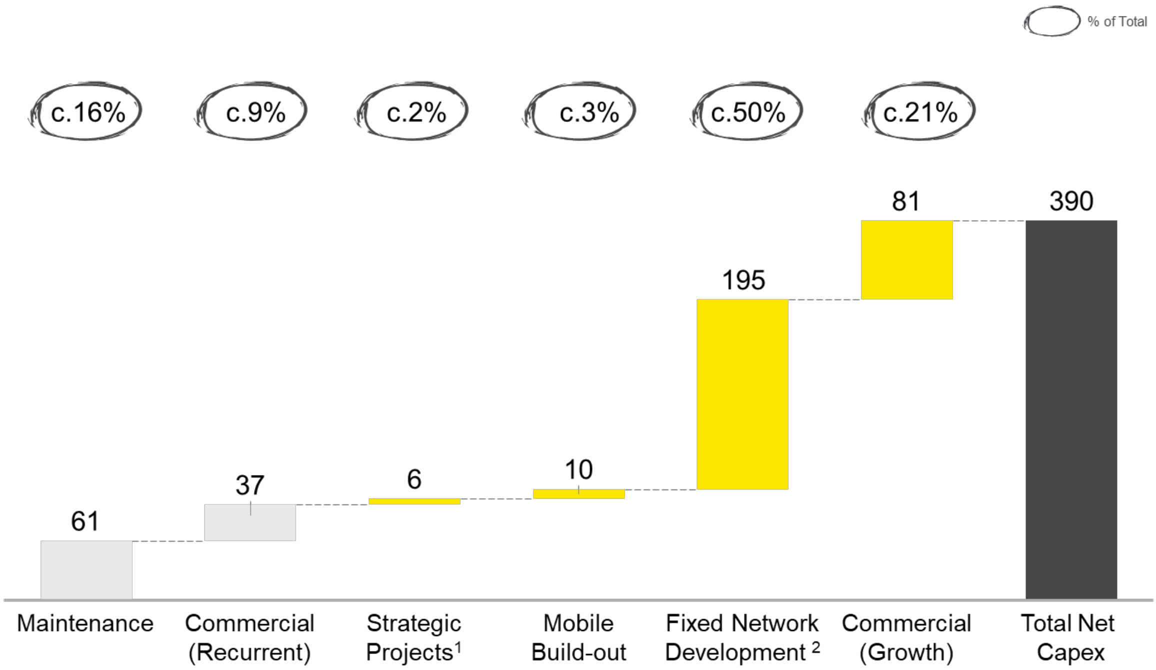
1 9M19 Net Debt over FY19 EBITDA Guidance
2 Excluding convertibles and pre-IFRS16
3 Includes mainly early redemption of senior and junior debt, payments related to M&A and other corporate stakes

SOURCE: Company

Cash Flow Statement

- **Net Capex of €390M in 9M19**
  - Fixed Network Development Capex was €195M in 9M19, representing 50% of the Total Net Capex over the period. This includes 2.7M BUs deployed during the first nine months of this year
  - Technical Maintenance Capex reached €61M in 9M19 and Capex dedicated to Strategic Projects was €6M in the period
  - Commercial Capex, which is directly associated to the Company's acquisition of broadband lines, amounted to €118M in 9M19, of which €81M was dedicated to growing the Company's broadband customer base
  - Growth related Capex amounted to €292M (c.75% of total Capex), while total Maintenance Capex reached €98M for the 9M19

Chart 6 – Capex 9M19 (€M)



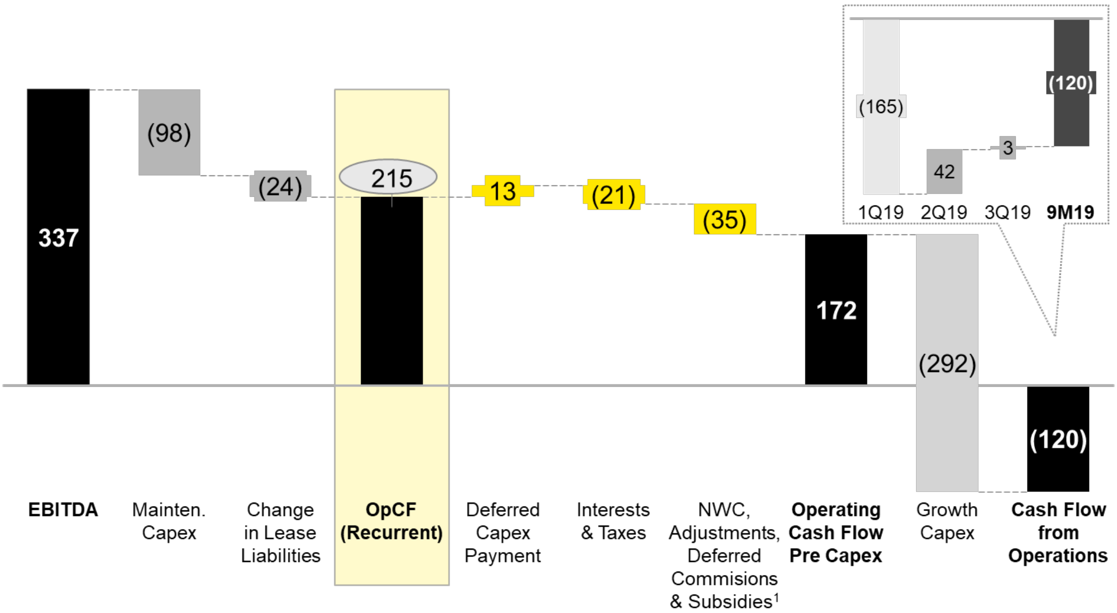
1 Strategic projects includes areas such as digitalization, cybersecurity, and other specific projects
2 Includes Transmission and Access. Net of IRU sales.
SOURCE: Company

- **FTTH Network sale**
    - As already announced in 2Q19 earnings report, MASMOVIL will sell c.1M FTTH BUs to an infrastructure fund for a total consideration of €217.5M. The transaction will close before year end

- **New Orange agreement announced on October 1st, 2019**
    - MASMOVIL has signed comprehensive agreements with Orange covering all future 5G needs and increasing its FTTH footprint, specifically:
    - Mobile agreements:
        - MASMOVIL extended its NRA with Orange until 2028 with an option for 5 additional years, including 5G (using all 5G frequency bands) and evolving to a capacity-based network model
        - In addition to the new NRA, MASMOVIL will also benefit through a Virtual Active Sharing agreement from Orange's deployment of up to 4,500 5G sites, covering the top 40 cities in the country (35% of the population). Consequently, there is no need for further Capex deployment while Opex will gradually increase by €10M by 2023 and will remain stable thereafter
        - MASMOVIL also has an additional option to use up to 6,000 Orange sites on a site-by-site basis including all mobile technologies under a Radio as a Service scheme
    - FTTH network agreements:
        - MASMOVIL receives by YE19 a right of use on 5.2M BUs for which Orange currently offers MASMOVIL bitstream services. The upfront Capex/BU under the agreement is around 50% of a traditional co-investment scheme, while the recurring monthly charges per line are set at around 50% of the current rates. MASMOVIL also has an additional option - from 2030 onwards - it can acquire the full IRU for all or part of the 5.2M BUs above mentioned for a payment per BU similar to the upfront payment
        - This results in incremental FTTH Capex of c.€180M. The Capex will be fully booked in 2019 with payments spread over 2020-2023 through a vendor financing agreement
    - In summary the agreement covers all future 5G needs, significantly increases the size and cost efficiency of our FTTH network, and generates €40M run-rate Opex savings

- **Cash Flow from Operations of -€120M in 9M19 with positive cash flow in both 2Q19 and 3Q19**
    - Cash Flow from Operations was +€3M in 3Q19, marking the second quarter in a row with positive cash flow (+€42M in 2Q19). As a result, 9M19 Cash Flow from Operations of -€120M is materially improved vs. -€165M reported in 1Q19
    - Interest and taxes were -€21M while Adjustments, Deferred Commissions & Subsidies (including IFRS15 & 16 adjustments) were -€35M

Chart 7 – Cash Flow from Operations 9M19 (€M)



1 Includes impact from IFRS15 (mainly deferred commissions/subsidies) and IFRS16

SOURCE: Company

Relevant Issues Following the Closing of the Period

There are no relevant issues following the closing of the period on top of the agreements with Orange already mentioned earlier in this earnings results relevant fact

Disclaimer

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