MASMOVIL

COMMUNICATION OF A RELEVANT FACT

MASMOVIL GROUP

13th September 2017

The following Relevant Fact is provided regarding the company MASMOVIL IBERCOM, S.A. (hereinafter either the "**MASMOVIL Group**" or "**MASMOVIL**") 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.

In Madrid on 13th September 2017

Meinrad Spenger
CEO
MASMOVIL IBERCOM, S.A.

FINANCIAL RESULTS 1H17

Index

Information also available on www.grupomasmovil.com in “Information for Investors”

Key Highlights

- **MASMOVIL reports adjusted net income of €19m for 1H17 or €0.58 per share (fully diluted) and 104M€ Recurrent EBITDA**

1.

- **One of the fastest growing European Telecoms**
  - Service Revenue grew to 245M€ in 2Q17 (+19% yoy)
  - Recurrent EBITDA of €59m for 2Q17 (+64% yoy) with EBITDA margin of 19%

- **Convergent product momentum is accelerating**
  - Added 78K broadband lines in 2Q17
  - Total of 277k broadband lines by end of 1H17
  - Cross-selling to existing mobile subscriber base on track

- **Continue to strengthen position as Spain's 4th operator**
  - Organically increased the number of mobile postpaid and broadband lines by 173k in 2Q17
  - Healthy Balance Sheet: Leverage (exc. converts) at 1.9x (1H17)

- **MASMOVIL was the first company to successfully migrate from the Spanish junior market (MAB) to the main Spanish stock exchange**
  - Long term strategy remains intact: add value to customers, shareholders and the entire Spanish telecommunications market

- **MASMOVIL increased its confidence in achieving the 2017 target of Recurrent EBITDA of more than 200M€, and will provide an updated 2017 outlook prior or concurrently with the release of the 3Q17 results**

MASMOVIL continues to reinforce its position as the 4th largest telecom operator in Spain. In 1H17, the company generated Service Revenues of 474M€ (+18% yoy) and Recurrent EBITDA of 104M€ (+87% yoy) due to strong operating momentum and continued realization of costs efficiencies (in particular, under the new national roaming agreement).

- **After a transformational 2016, MASMOVIL started well in 2017. Organic growth across all key metrics**
    - 1H17 Subscribers: MASMOVIL added a total of 337k mobile postpaid and broadband lines in 1H17 (173k added in 2Q17) to reach 4.55M mobile and 277k broadband lines
    - 2Q17 Financial Highlights:
        - Service Revenues increased from 207M€ in 2Q16 to 245M€ (+19%).
        - Total Revenues increased from 265M€ to 312M€ (+18%).
        - Recurrent EBITDA increased from 36M€ to 59M€ (+64%), with Recurrent EBITDA margin at 19% in 2Q17 (vs 14% in 2Q16).

Table 1.1 – Key figures

	Units	2016 [4]	1H16 [4]	1H17	Growth	2Q16 [4]	2Q17	Growth
Mobile Postpaid	(M)	3.34	3.1	3.5	*13%*	3.1	3.5	*13%*
Mobile Prepaid	(M)	0.95	1.1	1.0	*-4%*	1.1	1.0	*-4%*
Broadband	(M)	0.12	0.0	0.3	*486%*	0.0	0.3	*486%*
Total number of lines	(M)	4.41	4.2	4.8	*14%*	4.2	4.8	*14%*
Blended billed ARPU	(€)	14.1				13.9	15.1	*8%*
Total revenues	(M€)	1,121	538	609	*13%*	265	312	*18%*
Total service revenues	(M€)	838	402	474	*18%*	207	245	*19%*
Recurrent EBITDA [1]	(M€)	119	56	104	*87%*	36	59	*64%*
Margin	(%)	11%	10%	17%		14%	19%	
Adjusted Net Income [5]	(M€)			19.0				
Adjusted EPS (fully diluted) [5]	(€)			0.58				
Net Debt excluding convertible debt	(M€)	336		393				
Leverage[3]		2.8x		1.9x				
Shares Outstanding	(M)		11.8	20.0				
Fully Diluted Shares Outstanding [2]	(M)		11.8	33.0				

(1) Recurrent EBITDA excludes, one-off expenses and stock appreciation rights (long term management incentive plan)
(2) Calculated based on number of shares outstanding plus conversion of outstanding convertibles and ESOP
(3) Leverage for 1H17 calculated by annualizing 1H17 Recurrent EBITDA
(4) Proforma figures are calculated as if Yoigo and Pepephone consolidated from January 1st, 2016
(5) Adjusted for One-offs, accounting impact of ACS convertible, amortization of acquired customer base, charges for long term management incentive plan and interest on Providence and ACS convertibles

- **MASMOVIL becomes the first company to move from the Spanish junior market (MAB) to the main stock exchange**
    - Transition to the main exchange after only 5 years from its listing on the Junior Market (MAB) in 2012.
    - The share price of MASMOVIL has grown significantly and the Company's market capitalization is now over 1.2 billion euros.
    - The migration to the main stock exchange is expanding the interest in the company from international institutional investors and expected to further improve access to capital for the company (when and if needed).

- **Long-term strategy builds on the Group's current foundations. MASMOVIL will continue to strengthen its competitive position**
    - <u>Put client first</u> in all of our activities and continue being the provider with highest client satisfaction rate.
    - <u>Become a digital leader in Spain</u> benefitting from the lack of legacy infrastructure.
    - <u>Continue investing in NGN-expansion</u> to enhance quality of on-net customer service.
    - <u>Provide brand choices to consumers</u> through MASMOVIL's portfolio of brands (Yoigo, Pepephone, MASMOVIL and Llamaya) allowing the company to target all market segments effectively.
    - <u>Create value in the market</u> and for customers with innovative service propositions.

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Progress against 2017 guidance

- **MASMOVIL increased its confidence in achieving the 2017 target of Recurrent EBITDA of more than 200M€, and will provide an updated 2017 outlook prior or concurrently with the release of the 3Q17 results**

2.

  - The benefit of synergies (e.g. in overhead, IT, sales, customer care, network) and contractual savings of more than 60M€ under new roaming agreements with Orange and Telefonica will be realized over the course of 2017.
  - In 1H17 majority of Yoigo's off-net traffic remained on Telefonica and the migration to the Orange network will largely be finalized by end of 2017.

- **MASMOVIL is on track and making progress against all initiatives and strategic goals for 2017**
  - <u>Assure Excellent Client Services</u> with personalized customer service and advances in digitalization.
  - <u>Increase ARPU</u> with up-selling, cross-selling and new offerings.
  - <u>Develop Coherent Brand Strategy</u> to optimize differentiation and comprehensive market coverage.
  - <u>Integrate Yoigo and Pepephone</u> so that MASMOVIL consolidates as an efficient entity from an operational standpoint.
  - <u>Migrate Clients</u> to make efficient use of the Group's mobile and broadband networks as well as the new national roaming agreements (NRA).
  - <u>Capture Synergies</u> from acquisitions (additional to the cost savings coming from NRA as mentioned above), such as IT, sales, customer care, network maintenance, overheads etc.
  - <u>Build and Expand Mobile and FTTH Network</u> while utilizing the partnership and co-invest agreements with third parties such as Orange in addition to our own deployments. The number of homes which can be served by fiber is expected to grow to 10 million by the end of 2017, an increase of 33% vs. 2Q17.

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3.

Operational and Financial Review

- **+18% Proforma Service Revenue growth in 1H17, +19% in 2Q17**
    - Service Revenues grew to 474M€ (+18% yoy) in 1H17 and accounted for 78% of the Group's total revenues
    - Other Revenues are comprised of equipment and wholesale sales with limited gross profit contribution (12M€ gross profit on 136M€ revenues) and were flat in 1H17.

Table 3.1 – Revenues

(Million €)	1H16 (2)	1H17	Growth	2Q16 (2)	2Q17	Growth
Service Revenues	402	474	*18%*	207	245	*19%*
Other Revenues	136	136	*0%*	58	67	*16%*
Total Revenues	**538**	**609**	*13%*	**265**	**312**	*18%*
Net Revenues(1)	**414**	**486**	*17%*	**213**	**251**	*18%*

(1) Net Revenues calculated as Service Revenues plus gross profit contribution from wholesale and equipment revenues
(2) Proforma
Source: Company

- **Net Revenues**
    - Group revenues on net basis reached 486M€ in 1H17 (+17%) and 251M€ in 2Q17 (+18%)

Table 3.2 – Customer base

Number of lines (million)	1H16 (1)	1H17	Growth
Mobile postpaid	3.11	3.52	*13%*
Mobile prepaid	1.07	1.03	*-4%*
Broadband	0.05	0.28	*486%*
Total lines	**4.23**	**4.82**	*14%*

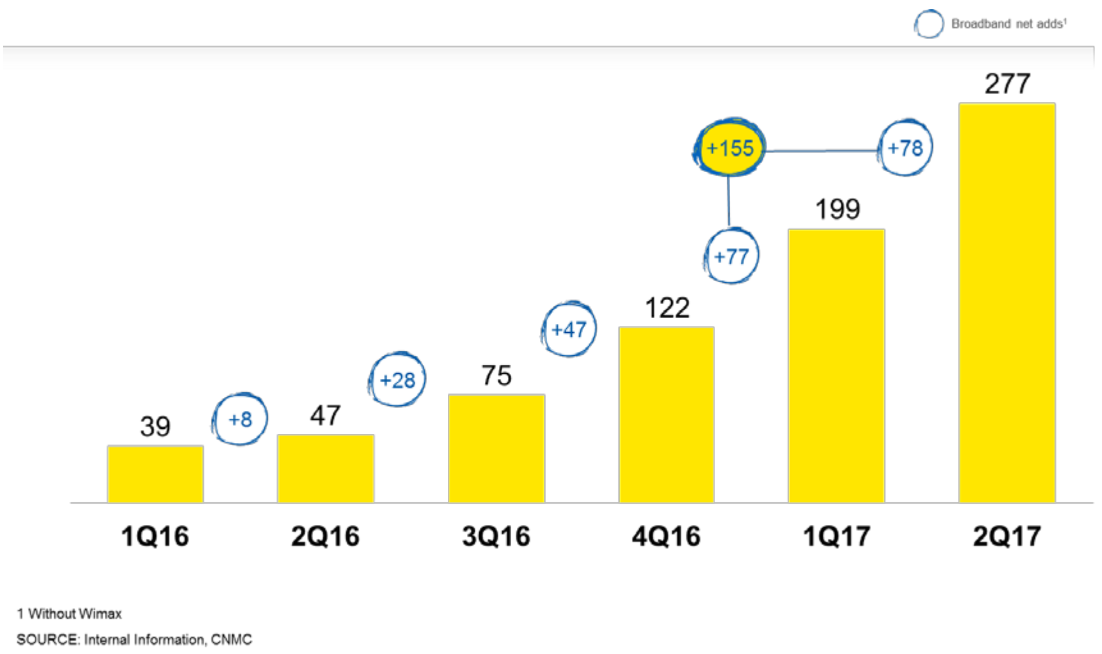
(1) Proforma
Source: Company

- As of the end of 1H17, the Group had 4.82M lines, +14% vs 1H16.
- Mobile postpaid and broadband lines totaled 3.80M at the end of 1H17, +20% vs 1H16.
- Blended billed ARPU grew from 13.9€ per month in 2Q16 to 15.1€ per month in 2Q17.

- **Mobile business: +13% growth in post-paid lines**
  - As of the end of 1H17 the Group had 3.52M post-paid clients, an increase of 13% vs 1H16 (proforma).
  - The use of the different brands of the Group (MASMOVIL, Yoigo, Pepephone and Llamaya) allows the Company to target different market segments efficiently, which positively impacts the ability to attract new mobile subscribers.

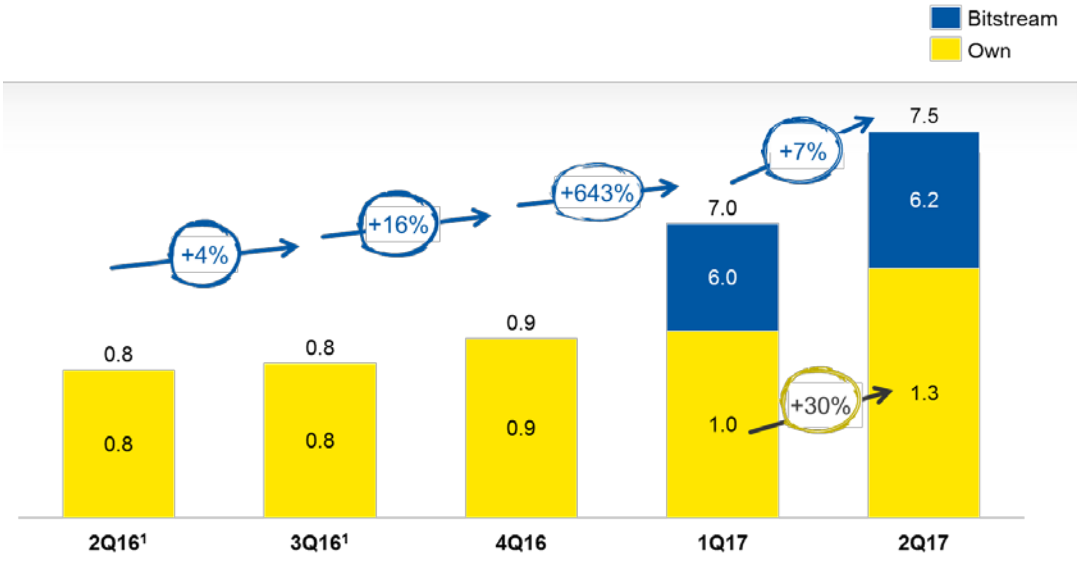
- **Broadband momentum continues to accelerate**
  - Client growth: With Yoigo's and Pepephone's broadband launch in Q1, the Group attracted 155k new broadband lines in the first half of the year, resulting in a total of 277k broadband lines at the end of 1H17.

Chart 3.1 – Broadband accesses evolution proforma (thousands)



- FTTH Network: MASMOVIL grew its FTTH footprint to 7.5 million building units (BUs) as of 1H17
  - This represents a growth of c.8 times compared to 4Q16
  - As of the end of 1H17 MASMOVIL's fixed network reached 18 million BUs with broadband, of which 7.5 million based on fiber technology. Of the 7.5 million, 1.3 million building units are own development (including the mutualized BU's) and the remaining 6.2 million relate to the bitstream agreement with Orange
  - The number of BUs which can be served by fiber is expected to grow to 10 million by the end of 2017 due to an increase in MASMOVIL's own network footprint and the growing number of available homes under wholesale access agreements with other operators

Table 3.2 – FTTH footprint



1 Aggregated
SOURCE: Internal Information; CNMC

4. Analysis of the Consolidated Profit and Loss Account

Table 4.1 – Summarized P&L

(Million €)	1H16 (1)	1H17	Growth	2Q16 (1)	2Q17	Growth
Revenue	**538.2**	**609.2**	**13%**	**264.6**	**312.3**	**18%**
Other operating revenue	3.3	14.5	n.a.	1.9	6.9	n.a.
Cost of sales	(430.3)	(461.9)	7%	(202.9)	(230.8)	14%
Other operating expenses	(55.4)	(57.5)	4%	(27.7)	(29.5)	7%
Recurrent EBITDA[1]	**55.8**	**104.3**	**87%**	**35.9**	**58.9**	**64%**
One Offs	-	(15.7)	n.a.	-	(10.7)	n.a.
SAR	-	(1.3)	n.a.	-	(1.3)	n.a.
Reported EBITDA	55.8	87.3	56%	35.9	46.9	31%
Depreciation and amortization	(45.2)	(58.7)	30%	(23.0)	(30.2)	31%
Reported EBIT	10.6	28.7	170%	12.9	16.7	29%
Net financial expenses[3]	(7.8)	(172.3)	n.a.	(5.6)	(111.9)	n.a.
Reported Profit before taxes	2.8	(143.6)	n.a.	7.3	(95.2)	n.a.
Income tax	(2.0)	(7.7)	n.a.	(1.3)	(3.4)	n.a.
Reported Net Income/(Loss)	0.8	(151.3)	n.a.	6.0	(98.6)	n.a.
Sum of the "Adjustments"		170	n.a.			
Adjusted Net Income/(Loss)[2]		**19.0**	**n.a.**			

(1) Proforma
(2) Please see detailed explanation below
Source: Company

- **Recurrent EBITDA of 59M€ in 2Q17 implies +64% growth vs 2Q16**
  - Reported EBITDA increased from 47M€ to 59M€ Recurrent EBITDA after adjusting it for the one-off costs
- **1H17 recurrent EBITDA of 104M€ implies +87% growth vs 1H16**
  - Reported EBITDA of 87M€ increases to 104M€ Recurrent EBITDA after adjusting for the one-off costs detailed below
- **One-off costs in 1H17**
  - The Group has incurred 11M€ of one-off costs in 2Q17 (16M€ in 1H17) related to the integration of Yoigo and Pepephone
  - MASMOVIL expects a total of 26M€ of one-off costs related to the migration of the different national roaming contracts and other one-off integration costs to be incurred in 2017
  - The Group has recorded in 2Q17 the corresponding provision for the Stock Appreciation Rights allocated to a management group for an amount of 1M€

- **Adjusted net income reached 19M€ for 1H17**

  Positive net income of 19M€ after adjusting for one-offs and other non-business related accounting charges:

  - The negative impact of the accounting of the ACS convertible (most of which is expected to be reverted as discussed later in the report) amounted to 141M€
  - One offs reached 16M€ in the first six months of 2017
  - The amortization of acquired customer base & brand totaled 10M€
  - 1M€ charges linked to the long term incentive plan for management and the increase in MASMOVIL's share price in 2017
  - The interest on the Providence and the ACS convertible summed up to 11M€
  - Finally, tax impact of the adjustments amounted to -8M€

  Adjusted EPS for the first half of the year reached 0.58€, on a fully diluted basis, considering 33.0 million fully diluted shares (including the conversion of both Providence and ACS convertibles and the Group's ESOP plan under the equity method).

Table 4.2 – Adjusted Net Income and EPS

(Million €) (except EPS)	1H17
Reported Net Income/(Loss)	**(151.3)**
Accounting impact of ACS convertible	140.5
Reported Net Income excl. ACS convert	**(10.8)**
One-offs	15.7
Amortization of acquired customer base & brand	10.4
Management incentive plans (SAR)	1.3
Interest on Providence and ACS convertibles	10.9
Tax impact of "Adjustments"	(8.4)
Adjusted Net Income/(Loss) fully diluted	**19.0**
Fully diluted number of shares (million)	33.0
Adjusted EPS (fully diluted) (€)	**0.58**

- **Agreement with ACS regarding ACS convertible**

  The 1H17 income statement includes a non-cash charge of 141M€ linked to the ACS convertible. This convertible is considered to be a hybrid instrument under IFRS rules and accordingly any increase in the market value of the shares underlying the convertible are charged to earnings. This accounting treatment under IFRS rules is different to that applied for the Providence convertible, which is not considered to be a hybrid instrument.

  To address this issue, on July 13th, 2017 the Company re-negotiated the terms of the ACS convertible so that the accounting treatment under IFRS will be consistent between both convertible instruments. As a result, post July 13th, 2017 and pending on CNMV approval, there will be no further non- cash financial charges and the Company expects that most of the 141M€ non-cash charge for 1H17 will be re-classified as shareholders equity in the 3Q17 accounts, thereby increasing book equity and reducing financial debt.

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Analysis of the Consolidated Balance Sheet

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Table 5.1 – Consolidated Balance Sheet

(Million €)	*Reported 2016*	*Reported H1 2017*	*Variance H1'17 - 2016*
Non current assets	**1,425.5**	**1,480.7**	**55.2**
Intangible assets	737.3	786.9	49.6
Property, plant and equipment	403.9	415.4	11.4
Other non current assets	48.5	48.0	(0.5)
Deferred tax assets	235.8	230.5	(5.3)
Current assets	**437.3**	**435.8**	**(1.6)**
Inventories	1.6	1.1	(0.5)
Trade and other receivables	191.6	197.9	6.2
Other current assets	8.0	33.8	25.7
Cash and cash equivalents	236.1	203.1	(33.0)
Total assets	**1,862.8**	**1,916.5**	**53.6**

(Million €)	*Reported 2016*	*Reported H1 2017*	*Variance H1'17 - 2016*
Equity	**255.6**	**103.3**	**(152.3)**
Share capital	2.0	2.0	0
Additional paid in capital	246.7	246.7	0
Reserves and other equity instruments	7.0	(145.3)	(152.3)
Non-current liabilities	**931.6**	**1,111.6**	**180.0**
Long term debt	502.0	622.2	120.2
Other financial non-current liabilities	182.0	244.4	62.4
Provisions	101.2	83.4	(17.7)
Other non-financial non-current liabilities	87.1	104.4	17.3
Deferred tax liabilities	59.4	57.3	(2.1)
Current liabilities	**675.6**	**701.6**	**26.0**
Current portion of long term debt	116.4	100.8	(15.6)
Other financial current liabilities	136.2	131.8	(4.4)
Provisions	39.2	37.5	(1.8)
Trade and other payables	383.8	422.6	38.8
Other non-financial current liabilities	0	8.9	8.9
Total equity and liabilities	**1,862.8**	**1,916.5**	**53.6**

Source: Company

- **Net debt of 393M€ (excluding convertibles), all debt covenants met**

  The Group´s net debt excluding the outstanding convertibles was 393M€ and 790M€ including convertibles as of the end of 1H17. Net Debt excluding outstanding convertibles is considered to be the most relevant benchmark as both the Providence and the ACS convertibles are "deep in the money" with strike prices at €22.00 and €41.67 well below the current share price.

Table 5.2 – Financial net debt calculation 1Q17

(Million €)	FY16	1Q17	1H17	1H17-1Q17
Short term commercial paper	30	30	30	0
Senior debt	347	348	341	(7)
Bonds	57	97	98	1
Junior debt	96	100	101	1
Providence convertible	102	105	108	3
ACS convertible	144	180	289	109
Other debts	41	37	26	(11)
Cash & Equivalents	(236)	(218)	(203)	15
Net debt as per Company calculations	**582**	**679**	**790**	**111**
Providence convertible	(102)	(105)	(108)	(3)
ACS convertible	(144)	(180)	(289)	(109)
Net debt per Company excl. Convertibles	**336**	**394**	**393**	**(1)**
Leverage (x Recurrent EBITDA)[1]	2.8	2.2	1.9	

1 Leverage calculated as Net debt excluding convertibles divided by annualized Recurrent EBITDA (1Q17x4 for 1Q17, and 1H17x2 for 1H17)
Source: Company

- **Regarding the financial leverage of the Group, it is relevant to note that:**
  - No major repayments of financial debts scheduled for 2H17.
  - The Group complies with the covenants of the different financial instruments issued, which are market standards.
  - The two convertible instruments issued by the Group are both well in the money and if these convertible instruments were to be excluded from the net debt calculations, the net debt figure would decrease to 393M€. The number of fully diluted shares assuming the conversion of these convertibles, as well as the Group's ESOP is calculated at 33.0 million.

- **Leverage ratio** decreased to 1.9x based on 393M€ of net debt (as calculated by the Company excl. Convertibles) and 209M€ annualized 1H17 Recurrent EBITDA.

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6.

Analysis of Cash Flow

Table 6.1 – Cash Flow from Operations

(M€)	1Q17	2Q17	1H17
Recurrent EBITDA	45	59	104
Adjustments Non-cash	6	7	13
Working capital variation	(8)	26	18
Provisions	(10)	(17)	(27)
Financial expenses cash out	(2)	(11)	(13)
Recurrent CF from operations before Capex	**31**	**63**	**94**
Net Capex	**(20)**	**(55)**	**(74)**
Recurrent CF from operations	**12**	**8**	**20**

- **Recurrent Cash Flow from Operations**
  - On a recurrent basis, the Group generated in 1H17 a total of 94M€ of Cash Flow from Operations (after interest payments, but before CAPEX), of which 63M€ were generated in 2Q17.
  - In 1H17, Net Capex of 74M€ was invested to further strengthen our competitive position in the broadband market (55M€ invested in 2Q17), resulting in 20M€ positive Recurrent Cash Flow from Operations.
  - The Group is convinced that the efforts devoted to the expansion and improvement of its different networks will provide a competitive advantage in both the short and the medium term and will continue in 2017 and 2018. Annual technical maintenance CAPEX for both fixed and mobile networks is estimated at around 30M€.
- **Capex split**
  - Capex related to network buildout (both fixed and mobile) during the first half of 2017 amounted to 47M€.
  - At the end of June 2017, the total fixed footprint reached 7.5 million building units.
  - Customer related capex represented 32M€.
  - IT and maintenance capex totaled 4M€ during the period.
  - Finally, 9M€ of customer equipment and network equipment have been sold during 1H17

Table 6.2 – Capex split

(M€)	1Q17	2Q17	1H17
Customer capex	16	16	32
Fixed network buildout	8	35	43
Mobile network buildout	2	2	4
IT	1	2	2
Maintenance & other	1	1	2
Total capex	**27**	**55**	**83**
Sale of Assets	-8	-1	-9
Net Capex	**20**	**54**	**74**

Relevant issues following the closing of the period

1) As part of the ongoing review of its capital structure, on July 13th 2017 MASMOVIL has reached an agreement with ACS Telefonía Móvil S.L. ("ACS") for the refinancing of the debt issued as part of the consideration for Xfera Móviles, S.A. (the "Note").

Terms and conditions of the Note are detailed on pages 14, 33, 34, 43, 50, 51, 64, 65,
7. especially from 169 to 172, 194, 197, 270, 275 and 291 of the Prospectus for the listing into the Madrid, Barcelona, Bilbao and Valencia stock markets (for further reference please see http://www.grupomasmovil.com/en/prospectus-listing/).

The main terms of the new agreement, which modifies the Note signed in October 2016, are summarized below:

- The original Note included a contingent earn-out of up 80M€ which could potentially be capitalized in 2020 if the Group's consolidated EBITDA reaches 300M€ in 2019. Under the new agreement, the full 80M€ becomes a fixed amount and accrued with immediate effect that is no longer conditional on the Company's EBITDA in 2019.

  MASMOVIL's Q1 2017 Balance Sheet reflected already a gross value of 63M€ for the earn-out. In terms of net present value, the full consolidation of the earn-out for its maximum amount of 80M€ increases MASMOVIL's financial debt by 6M€.

  As a consequence of the above, the new face value of the Note is therefore now fixed at 200M€, i.e., 120M€ corresponding to the fixed principal plus the newly consolidated 80M€. The amortization schedule, from 2023 until 2029 has not been modified.
- The variable interest rate of 3% p.a., which was linked to the evolution of the MASMOVIL's EBITDA, has been fully eliminated. The fixed interest rate has not been modified and remains at 2% pa. The elimination of variable interest, subject to the evolution of the Group's EBITDA, will result in the saving of future cash interest, which the Company estimates at around 12M€ over the next 5 years.
- Under the new agreement, the first demand bank guarantee to be provided by MASMOVIL for the first two years from the signing is now exclusively limited to breach of contractual obligations by MASMOVIL.
- The terms for the conversion of the Note into MASMOVIL shares have been modified. The two previous conversion windows (three years from the initial signing of the Note at a conversion price of €25 per share, followed by an additional three years, that is until Oct 2022, at a conversion price of 40€ per share) have been replaced by a single window until 30-June-2021. The new conditions allow the holder of the Note the conversion into shares at a fixed conversion price of 41.67€ resulting in the issuance of a fixed amount of 4.8 million shares, a figure which is identical to the implied number of shares if conversion happened in the first window under the original Note.

As a consequence of the above, the Note expects to qualify for a "fixed-to-fixed" accounting treatment, since in any conversion scenario the fixed nominal face value of 200M€ will be exchanged for a fixed amount of 4.8M shares.

2) The shares of the Company trade in the stock exchanges of Madrid, Barcelona, Bilbao and Valencia since the July 14th 2017, having traded before in the Mercado Alternativo Bursátil – Empresas en Expansión (MAB-EE).

3) On July 19th 2017 the Company entered into a Liquidity Contract with Santander Investment Bolsa Sociedad de Valores S.A. Unipersonal ("Santander"), which started on July 20th 2017 and will have a duration of 12 months, with initial 500.000€ in the cash account and 7.885 shares in the share account.