



## COMMUNICATION OF A RELEVANT FACT

### MASMOVIL GROUP

November 7<sup>th</sup>, 2018

In accordance with Article 17 of Regulation (EU) no. 596/2014 on market abuse and Article 228 of the Securities Market Act passed by Legislative Royal Decree 4/2015 of 23 October and concordance rules, we inform about the following Relevant Fact referring to MASMOVIL IBERCOM, S.A. ("**MASMOVIL**", "**GRUPO MASMOVIL**" or the "**Company**").

### RELEVANT FACT

#### **Repurchase of the ACS Convertible Debt by means of a Capital Increase and use of MASMOVIL's cash**

MASMOVIL hereby notifies that its Board of Directors, exercising the delegation approved by the Ordinary General Shareholders Meeting held on 22 June 2017, under agenda item number ten, has decided to execute a capital increase for a nominal amount of up to 408,637.5 euros, by issuing up to 4,086,375 shares, of the same class and series as those currently in circulation and represented by book entries (the "**New Shares**"), with the exclusion of the shareholder's pre-emption right (the "**Capital Increase**").

The issuance of the New Shares will be carried out at their nominal value of 0.10 euros per share plus a share premium that will be determined upon completion of the accelerated bookbuilding offering described below in the section regarding "Placement Procedure".

MASMOVIL is subject to a lock-up of 90 days, subject to customary carve-outs for a transaction of this nature.

#### **1. PURPOSE OF THE CAPITAL INCREASE**

As a consequence of the purchase in 2016 of Xfera Móviles S.A. (Yoigo) the Company has a debt convertible into shares owed to ACS, Actividades de Construcción y Servicios, S.A. ("**ACS**" and the "**Convertible Debt**", respectively). Details of this Convertible Debt were disclosed by the Company by means of the relevant facts of 6 October 2016 and 14 July 2017 and in the prospectus for the listing of the shares of the Company, dated 13 July 2017.

The Convertible Debt grants ACS the option to convert such debt into a fixed amount of 4.8 million shares by following a formal process which requires, among other requirements, the calling of an extraordinary general shareholders' meeting. As at today's date, such conversion option is exercisable by ACS.

The purpose of the Capital Increase is to allow MASMOVIL to partially finance the repurchase of the Convertible Debt (the "**Repurchase**") which will be carried out once

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the Capital Increase has been implemented. The Repurchase will be made at the same implicit price per share net of commissions as the Capital Increase.

The number of MASMOVIL shares which is implicit in the Repurchase will depend on the final volume of the Capital Increase, although the Capital Increase will never exceed 20% of the current outstanding MASMOVIL shares.

ACS has notified the Company of its interest in participating in the Capital Increase as qualified investor through the acquisition of up to one (1) million New Shares of MASMOVIL subject to a lock-up in the usual terms for this type of transaction during a period of 180 days. The lock-up is for all shares in the Company held by ACS.

In addition to the amount of the Capital Increase, MASMOVIL will use its cash availability by allocating up to 100 million euros to complete the funds intended for the Repurchase.

Therefore, it is envisaged that the amount of the Capital Increase plus the Company's contribution deriving from its cash described above (100 million euros) will allow the Repurchase to cover the full amount of the Convertible Debt.

The Convertible Debt repurchased by MASMOVIL will be immediately cancelled by the Company, with the subsequent reduction, total or partial, in ACS's exposure to MASMOVIL.

## 2. IMPACT OF THE REPURCHASE AND ITS FINANCING

MASMOVIL estimates that the Repurchase transaction and its financing will be beneficial for the shareholders of the Company because:

- The Repurchase implies a reduction of the dilutive impact of the possible conversion of the total Convertible Debt of approximately (1) million shares (which represents almost 5% of the Shares issued by the Company prior to the Capital Increase, or more than 4% after the Capital Increase).
- In terms of an increase in fully diluted net profit per share ("**Fully Diluted EPS**"), considering the conversion of all convertible instruments issued by the Company, MASMOVIL estimates the Repurchase will result in a low/mid-single digit Fully Diluted EPS accretion for 2019 and 2020, as compared to market analysts' consensus<sup>1</sup>. Exact Fully Diluted EPS accretion will be calculated once ABO is completed.
- The Repurchase eliminates the potential volatility in the share price which could have resulted from the conversion in full of the Convertible Debt, had the conversion process been followed under the terms of the Convertible Debt, as it implied a long period between the announcement of the request for conversion and its effective conversion.
- The financing of the Repurchase is carried out without material changes to the Company's financial leverage (whereby the amount of the cash assets contributed by MASMOVIL in the Repurchase serves to cancel existing debt (Convertible Debt) accounted for 150 million euros in the Company's balance

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<sup>1</sup> BLOOMBERG Research Analyst consensus (5 November 2018)

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sheet) and with certain improvements to its financial structure, as such cash assets are financed with new fully subordinated debt incurred by the Company.

- The Capital Increase will likely increase both the Company's free float as well as the liquidity of the MASMOVIL shares, it will allow the entrance of institutional investors in the Company's share capital and will favour the possible incorporation of MASMOVIL shares on national stock exchange indexes.

### 3. PLACEMENT PROCEDURE OF THE CAPITAL INCREASE

The Capital Increase will be conducted through an accelerated bookbuilding offering, referred to as "**Accelerated Bookbuilding Offering**" or "**ABO**", exclusively among qualified investors and professional clients. In consequence, the issuance of New Shares will not constitute a public offer of securities.

The placement procedure will be conducted on the terms indicated below:

- i. Once this communication has been published, Morgan Stanley & Co. International plc, acting as *Sole Global Coordinator* and Joint Bookrunner, together with Barclays Bank PLC, Goldman Sachs International, Société Générale and BNP Paribas acting as Joint Bookrunners (hereinafter, jointly the "**Joint Bookrunners**"), will begin the bookbuilding period during which they will receive demand orders from the investors to whom the Capital Increase is targeted. It is expected that the termination of the bookbuilding period takes place before the next opening of the market, although it could be extended if the Joint Bookrunners deem it appropriate.
- ii. Upon termination of the bookbuilding period, the price of the New Shares will be determined, and the selection of subscription proposals will be carried out, followed by the confirmation of the selected proposals and the final adjudication of the New Shares to the corresponding investors.
- iii. Once the New Shares are allocated, they will be subscribed and disbursed by the Sole Global Coordinator and Joint Bookrunner, acting in its own name on behalf of the other Joint Bookrunners which, in turn, act in the name and on behalf of the adjudicated investors. Afterwards the public deed of the Capital Increase will be granted and registered in the Mercantile Registry of Guipúzcoa, and the admission to trading of the New Shares will be verified by the National Securities Market Commission (CNMV) and by the Spanish Stock Exchanges.

### 4. RIGHTS OF THE NEW SHARES

The New Shares will be ordinary shares, will belong to the same class and series, and will have the same political and economic rights as the ordinary shares of MASMOVIL which are currently in circulation.

### 5. CAPITAL INCREASE ADDRESSEES – EXCLUSION OF THE PRE-EMPTION RIGHT

The New Shares will only be offered to qualified investors, within the meaning of Article 2(1)(e) of EU Directive 2003/71/EC and amendments thereto and professional clients, as defined in EU Directive 2014/65/EU ("**MIFID II**"), in accordance with the applicable transposed MIFID II legislation in each territory, so that the offer, acquisition and payment for the New Shares will not be subject to registration, verification or approval by any

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competent authority in any jurisdiction. Thus, the Capital Increase will not qualify as a public offer in any market or jurisdiction. The New Shares have not been nor will be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The New Shares may only be offered, sold or otherwise transferred in offshore transactions outside the United States as defined in, and in reliance on, Regulation S under the Securities Act and with the United States only to qualified institutional buyers ("**QIBs**") within the meaning of and pursuant to Rule 144A under the Securities Act or pursuant to another exemption from the registration requirements of, or in transactions not subject to, the Securities Act.

With the aim of allotting the New Shares to the final investors by means of the Accelerated Bookbuilding Offering –that, amongst other advantages, allows to take advantage of propitious market conditions for the execution of the Capital Increase, significantly reduces the term of execution, maximises the price of the New Shares and broadens the shareholder's base of the Company, all furthering the corporate interest–, the Board of Directors of MASMOVIL has decided to exclude the shareholders' preemptive rights, as such an exclusion is required in order to employ the ABO mechanism.

To this end, the Board of Directors of MASMOVIL has approved the corresponding Director's report and has obtained from BDO Auditores, S.L.P., in its capacity as independent expert other than the Company's auditor, duly appointed by the Mercantile Registry of Guipúzcoa, the special report on the fair value of the shares of MASMOVIL, on the theoretical value of the pre-emptive right whose exercise is to be eliminated and on the reasonableness of the data contained in the Board of Directors' report. These reports will be made available to the shareholders and disclosed to them not later than at the next General Shareholders Meeting of the Company.

## **6. ADMISSION TO OFFICIAL TRADING OF THE NEW SHARES**

MASMOVIL will request the admission to trading of the New Shares in the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia, through the Stock Exchange Interconnection System (Continuous Market). The admission to trading will not require the registration and approval by the National Securities Market Commission (CNMV) of a prospectus, in accordance with Article 1.5.a) of (EU) Regulation 2017/1129 of the European Parliament and of the Council, of 14 June 2017, about the prospectus to be published in the event of a public offering or admission to trading of securities in a regulated market.

The market will be informed in a timely manner upon the termination of the accelerated bookbuilding period and when the conditions of the Capital Increase are fixed.

In Madrid, November 7<sup>th</sup>, 2018



## Important notice

This announcement contains inside information within the meaning given in EU Regulation N. 596/2014 on market abuse.

This announcement is for informational purposes only and does not intend to be complete, it is subject to changes and is not for release, publication or distribution, directly or indirectly, in or into the United States of America, Australia, Canada, Japan or in any other country or jurisdiction where the disclosure of this information may be restricted by law. This announcement does not constitute or contain an offer to sell nor an offer for the purchase of securities in the United States of America, Australia, Canada, Japan nor any other country or jurisdiction. This announcement does not constitute a request of funds, securities or any other sort of compensation, and no compensation will be accepted as a response to this announcement.

The securities herein referred to have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or under the applicable securities laws of any state or other jurisdiction of the United States of America. Accordingly, the securities may not be offered, exercised or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act, or in any other country or jurisdiction other than in compliance with the applicable laws of that country or jurisdiction. There will be no public offering of securities in the United States or in any other country or jurisdiction.

No prospectus or offering document has been or will be prepared by MásMóvil Ibercom. S.A. (the "**Company**") in connection with the matters contained in this announcement, including in relation to the offering of its new shares (the "**New Shares**"). Any investment decision in connection with the New Shares must be made on the basis of publicly available information. Such information has not been independently verified. The information contained in this announcement is for background purposes only and does not purport to be full or complete.

This regulatory announcement and any other documents or materials relating to the subject matter of this announcement are addressed to and directed only at: (a) persons in member states of the European Economic Area ("**EEA**") who are "qualified investors" within the meaning of Article 2(1)(e) of the EU Prospectus Directive (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU) (the "**Prospectus Directive**") ("qualified investors"); (b) persons in the United Kingdom who are qualified investors and who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the "**Order**"), or (ii) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc") of the Order; or (c) persons to whom it may otherwise be lawfully communicated (all such persons in (a), (b) and (c) together being referred to as "relevant persons"). This announcement and any other documents or materials relating to the subject matter of this announcement must not be acted on or relied on by persons who are not relevant persons.

Morgan Stanley & Co. International plc, Barclays Bank PLC, Goldman Sachs International, Société Générale and BNP Paribas (together, the "**Managers**"), are acting exclusively for the Company and no-one else. They will not regard any other person as their respective clients and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, nor for providing advice in relation to the contents of this announcement or any transaction, arrangement or other matter referred to herein.

Neither the Managers nor the Company nor any of their respective affiliates, directors, employees, advisers or agents accepts any responsibility or liability whatsoever for/ or makes any representation or warranty, expressed or implied, as to the truth, accuracy or completeness of the information in this announcement (or whether any information has been omitted from the announcement) or any other information relating to the Company, its subsidiaries or associated companies, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available for any loss howsoever arising from any use of the announcement or its contents or otherwise arising in connection therewith.

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The Managers and any of their affiliates may take up a portion of the New Shares as a principal position and, in that capacity, may retain, purchase, sell, offer to sell, or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the shares of the Company or otherwise. In addition, certain of the Managers or their affiliates may enter into financing agreements and swaps with investors in connection with which such Managers (or their affiliates) may, from time to time, acquire, hold or dispose of the shares of the Company. Accordingly, references in this announcement to the New Shares being offered or otherwise dealt with should be read as including any offer to, or dealing by, the Managers or any of them and any of their affiliates acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

This announcement contains (or may contain) certain forward-looking statements with respect to certain of the Company's current expectations and projections about future performance, anticipated events or trends and other matters that are not historical facts. These forward-looking statements, which sometimes use words such as "aim", "anticipate", "believe", "intend", "plan", "estimate", "expect" and words of similar meaning, include all matters that are not historical facts and reflect the directors' beliefs and expectations and involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement. These statements are subject to unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The information contained in this announcement is subject to change without notice and, except as required by applicable law, neither the Company nor the Managers, nor their respective affiliates, assume any responsibility or obligation to update publicly or review any of the forward-looking statements contained herein. You should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement. Any indication in this announcement of the price at which shares of the Company have been bought or sold in the past cannot be relied upon as a guide to future performance. No statement in this announcement is or is intended to be a profit forecast or profit estimate or to imply that the earnings of the Company for the current or future financial years will necessarily match or exceed the historical or published earnings of the Company. The price of the New Shares and the income from them may go down as well as up and investors may not get back the full amount invested on disposal of such shares. Past performance is no guide for future performance and persons reading this announcement should consult an independent financial adviser.

## Information to distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on Markets in Financial Instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Shares have been subject to a product approval process, which has determined that such shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, distributors should note that: the price of the New Shares may decline and investors could lose all or part of their investment; the New Shares offer no guaranteed income and no capital protection; and an investment in the New Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the offer. Furthermore, it is noted that, notwithstanding the Target Market

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Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the New Shares and determining appropriate distribution channels.