GRUPOMASMOVIL

COMMUNICATION OF A RELEVANT FACT

MASMOVIL GROUP

7th May 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 1Q 2019

In Madrid on 7th May 2019

Meinrad Spenger
CEO
MASMOVIL IBERCOM, S.A.

GRUPOMASMOVIL

Earnings Report 1Q 2019

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Key Highlights 1Q19

- **Service Revenues & Subscriber Growth at record level**
  - Service Revenue growth of +27% YoY
  - Post-paid net additions of 332k (192k mobile & 140k broadband)
- **Increased Profitability**
  - Adjusted EBITDA post IFRS 16 of €105M (+40% YoY)
  - EBITDA margin increased from 22% in 1Q18 to 27% in 1Q19
  - Reported Net Income of €22M and Adjusted Net Income of €37M
- **Network Development Progressing Ahead of Plan**
  - MASMOVIL's own FTTH footprint increased to 6.4M Building Units ("BUs") (+72% YoY)
  - FTTH coverage increased to 16.9M BUs including Telefonica's NEBA offering
  - Net Infrastructure Capex of €20M including maintenance and new deployments
- **Operational Milestones & Initiatives During the Quarter**
  - Retail channel reinforced through MASLife multibrand shop launch and direct management of Yoigo shops Agile TV: enhanced content offer by including new third-party agreements such as: Amazon Prime TV, DAZN, SKY, Rakuten, fubotv among others
  - Connected car initiative -Caser and Renault partnership- commercially launched
  - MASMOVIL participated with a 45% stake[1] in a newly created purchasing platform that will increase the efficiency of the purchasing process
  - Selective price increase of €1-2 for new customers on some of its broadband and mobile only tariffs implemented
- **Repurchase of Providence Convertible & Full Refinancing in April**
  - MASMOVIL repurchased the Providence convertible in full and refinanced its capital structure with a €1.45Bn Term-Loan B and a €120M capital increase from Providence
  - The transaction results in EPS accretion of c.6% in 2019, c.11% in 2020, and c.14% in 2021 based on Bloomberg compiled broker consensus forecast EPS
  - It materially reduced the potential dilutive impact from the Convertible.
  - MASMOVIL secured long-term, Cov-lite financing, doubling the maturity of its debt to 7 years and reducing MASMOVIL´s overall cost of capital
- **MASMOVIL to sell 933k FTTH BUs for €217.5M and to acquire 1M FTTH BUs**
  - The combination of the two deals generates €150M of net proceeds without any impact on footprint, clients and EBITDA on a full year basis.

[1] The remaining 55% is owned by Dominion (45%) and Euskaltel (10%)

FTTH Network Transactions

- **MASMOVIL to sell 933k FTTH BUs for €217.5M to infrastructure fund**
  - The Company has reached an agreement with an international infrastructure fund for the sale of 933k FTTH building units ("BUs") for a total consideration of €217.5M
  - Additionally, MASMOVIL has the right to sell another c.40k BUs derived from the further densification of such network for an additional consideration of c. €7.5M
  - Under the agreement MASMOVIL keeps full ownership of the existing client base on the divested network, for which the transaction will be completely neutral (no action needed at the client's home). MASMOVIL has currently a commercial penetration of c.7% in this network
  - MASMOVIL expects this transaction to have a negative impact on EBITDA of c.€5M for 2H 2019 but reiterates nonetheless its Adjusted EBITDA guidance of €450M for FY19

- **MASMOVIL acquires from Orange 1M FTTH BUs for c. 70M€**
  - The Company has reached a new agreement with Orange Spain ("Orange") that allows MASMOVIL to acquire the Indefeasible Right of Use ("IRU") during 35 years for a total of 1M building units ("BUs") for a total consideration of c.€70M before the end of the year
  - The acquisition of these IRU's will have a positive impact on the profitability of MASMOVIL, as the Company obtains owner economics for the current MASMOVIL's clients located within the acquired BU's
  - The Company has already achieved a customer penetration of more than 6% in this network (around 87% of the BU's included in the transaction have been already deployed by Orange)
  - This agreement complements the previous ones reached between the two companies since the launching of the broadband offer by the Group back in 2016

- **The combination of the two transactions is positive for MASMOVIL**
  - The two transactions together don't change the scale of MASMOVIL's own FTTH network. The Company maintains its target of 8M own FTTH BUs by the end of 2019
  - The transactions are also neutral for MASMOVIL in terms of clients, while the area acquired has a slightly more positive uptake trend and consequently are also neutral on midterm EBITDA on a full year basis
  - The combination of the transactions generates €150M of net proceeds, resulting in a positive Cash Flow from Operations generation in 2019
  - The valuation of €233 per BU implies a total value of c.€1.5Bn for the 6.4M FTTH BUs of MASMOVIL's network

1Q19 Financial Highlights

- MASMOVIL generated Service Revenues of €336M (+27% YoY), and Total Revenues of €383M (+13% YoY)
- Adjusted EBITDA of €105M (+40% YoY), reaching an EBITDA margin of 27%
- Reported Net Income of €22M vs. €8M in 1Q18
- Total Net Capex of €57M including €37M of Commercial Capex and €20M of Net Infrastructure Capex, representing only 16% of FY19 guidance of €360M
- 47% of Total Net Capex spent on Commercial Growth (€27M) reflecting MASMOVIL's continued focus on customer growth
- MASMOVIL's own FTTH network coverage increased to 6.4M BUs (vs. 3.7M BUs in 1Q18), representing c.38% of MASMOVIL's total FTTH footprint of 16.9M BUs in 1Q19.
- Net Debt (excluding convertibles) of €1,107M representing a net leverage of 2.6x annualized 1Q19 Adjusted EBITDA. Net debt increased mainly due to IFRS 16 impact and negative Cash Flow from Operations which was predominantly driven by seasonality and deferred capex payments to Vodafone
- Negative Cash Flow from Operations during the first quarter will be partially compensated by positive cash generation for the remainder of the year

- **Subscribers**
  - MASMOVIL achieved +140k fixed broadband net adds (in excess of 100k for six consecutive quarters), and +192k postpaid mobile net adds (in excess of 190k for seven consecutive quarters) in 1Q19
  - In 1Q19 MASMOVIL reached 5.0M mobile postpaid (+20% YoY) and 1.1M broadband lines (+75% YoY) in 1Q19

Table 2.1 – Key Financials

	1Q18	1Q19	Growth (%) Reported
Lines (M)			
Mobile postpaid	4.2	5.0	20%
Mobile prepaid	1.1	1.9	64%
Broadband	0.6	1.1	75%
Total Lines	**5.9**	**8.0**	**34%**
Key Financials (M€, unless otherwise)			
Service Revenues	265	336	27%
Total Revenues	**338**	**383**	**13%**
Adjusted EBITDA(1)	**75**	**105**	**40%**
Adjusted Net Income	27	37	36%
Net Debt	**356**	**1,107**	**211%**
Key KPIs			
EBITDA Margin (%)	22%	27%	
Net Debt/Adjusted EBITDA (3)	*1.2x*	*2.6x*	
Adj. EPS (fully diluted, €) (4)	0.16	0.29	
Shares Outstanding (M)			
Basic	100.0	120.2	
Fully Diluted(2)	167.4	126.7	

(1) EBITDA excludes, one-off expenses and stock appreciation rights (long-term management incentive plan)
(2) 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 in May 2019
(3) Leverage calculated as Net debt excluding convertibles divided by annualized Adjusted EBITDA for 1Q19
(4) 1Q18 number of shares adjusted for the 1x5 split

Operational & Financial Review

- **1Q19 Service Revenue growth of +27% YoY**
  - Service Revenues grew +27% YoY to €336M in 1Q19
  - Total revenues, including equipment and wholesale, grew +13% YoY reaching €383M in 1Q19
  - Other revenues declined 35% which includes mainly Wholesale and Equipment Revenues with a relatively low margin

Table 4.1 – Revenue Split

			Growth (%)
€M	1Q18	1Q19	Reported
Service Revenues	265	336	*27%*
Other Revenues	73	47	*(35%)*
Total Revenues	**338**	**383**	***13%***
Net Revenues[(1)]	**272**	**341**	***25%***

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

Source: Company

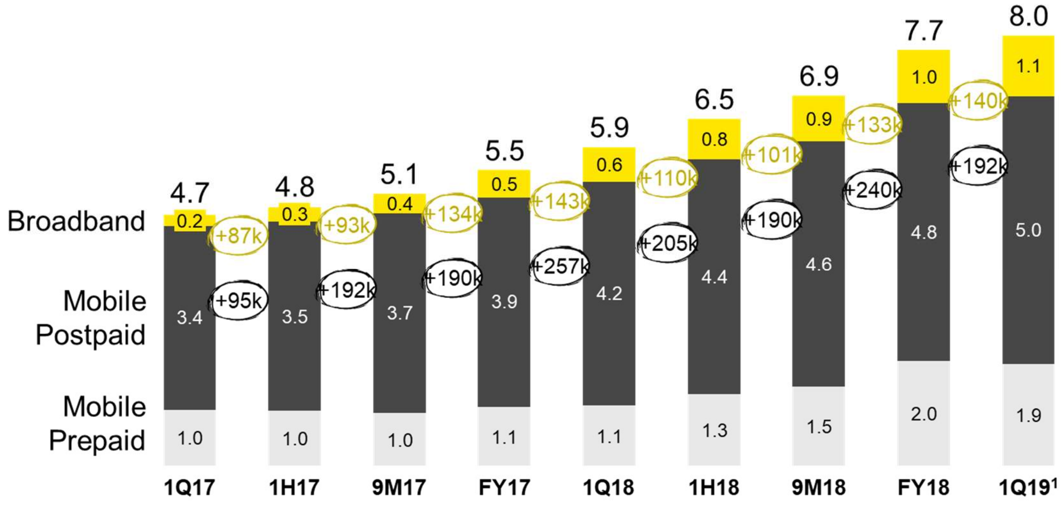
- **MASMOVIL continues its growth trajectory and reaches a total of 8.0M lines, including 1.1M broadband lines**
  - In 1Q19, MASMOVIL had 8.0M total lines (+34% vs 1Q18)
  - Our multi-brand strategy, including Lebara, continues to deliver positive results
  - Cross-selling of broadband to existing mobile subscriber base as well as upselling remains on track

Table 4.2 – Overview of Customer Base

M Lines	1Q18	1Q19	Delta	Growth
Mobile postpaid	4.2	5.0	0.8	*20%*
Mobile prepaid	1.1	1.9	0.7	*64%*
Total Mobile	**5.3**	**6.8**	**1.5**	***29%***
Broadband	0.6	1.1	0.5	*75%*
Total lines	**5.9**	**8.0**	**2.0**	***34%***

Source: Company

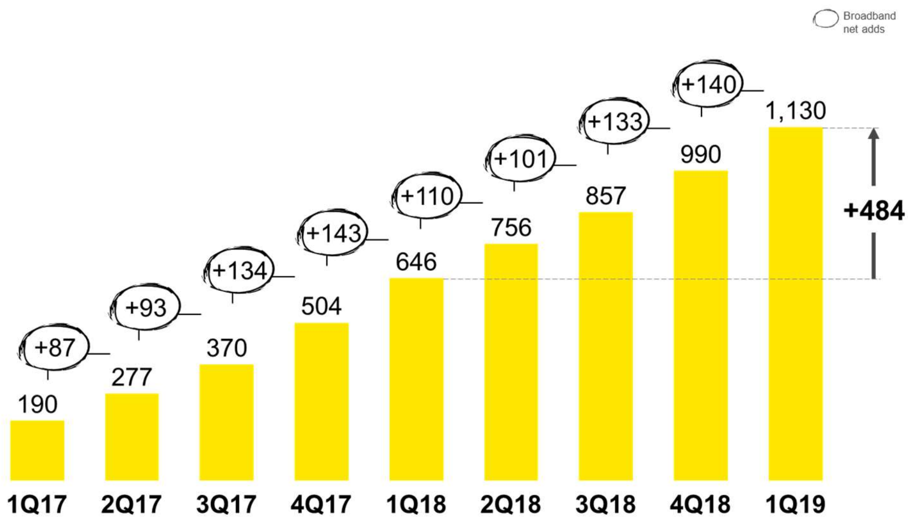
Chart 4.1 – Evolution of Mobile & Broadband Lines



Source: Company

- **Mobile postpaid lines grow +20% YoY**
  - In 1Q19, MASMOVIL had 5.0M mobile post-paid clients, an increase of +192k lines vs. FY18
  - The use of its different brands (MASMOVIL, Yoigo, Pepephone, Llamaya and now Lebara) allows MASMOVIL to target different market segments efficiently
- **Broadband net adds of 140k in 1Q19**
  - MASMOVIL added +140k new net broadband lines during 1Q19, and +484k cumulative since 1Q18 resulting in a total of 1.1M broadband lines as of 1Q19 (+75% YoY)
  - Broadband net adds in excess of +100k for six consecutive quarters

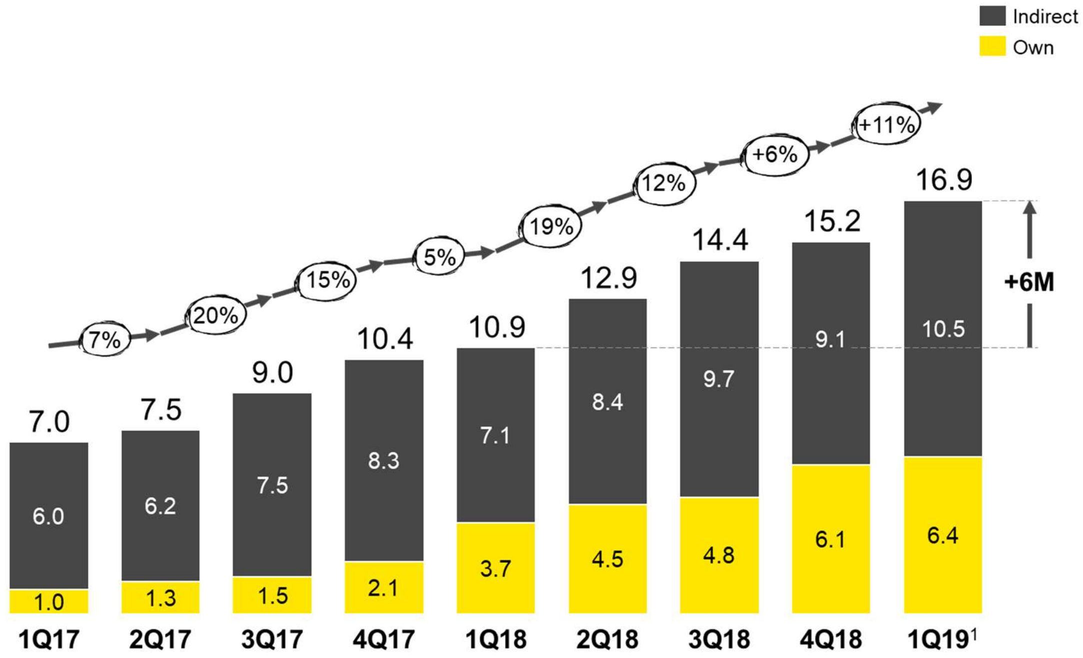
Chart 4.2 – Evolution of Broadband Lines ('000)



SOURCE: Company

- **FTTH footprint increased to 16.9M BUs in 1Q19**
    - The co-invest agreements signed with Orange (several from 2016) and Vodafone (4Q18) have allowed MASMOVIL to significantly expand its own FTTH footprint to 6.4M BUs as of 1Q19
    - As of 1Q19 an additional 10.5M BUs are accessible through Bitstream agreements with third parties (mainly Orange) and Telefonica

Chart 4.3 – Fiber Footprint Expansion



1 Including the footprint available under Bitstream agreements (including initial Telefónica's NEBA offer)
SOURCE: Company

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Consolidated Profit and Loss Statement

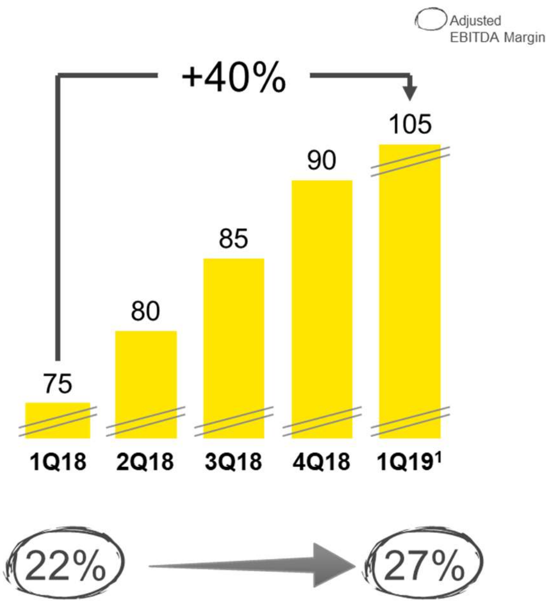
Table 5.1 – Summarized P&L

€M	1Q18	1Q19	Growth
Service Revenues	265	336	*27%*
Other revenues	73	47	*(35%)*
Revenue	**338**	**383**	**13%**
Other operating revenue	14	21	*45%*
Cost of sales	(244)	(266)	*9%*
Other operating expenses	(33)	(33)	*0%*
Adjusted EBITDA	**75**	**105**	**40%**
Net one-offs	(5)	(4)	
Reported EBITDA	**70**	**101**	***45%***
Depreciation and amortization	(35)	(56)	
Reported EBIT	**35**	**45**	***30%***
Net financial expenses	(19)	(20)	
Reported Profit before taxes	**15**	**24**	***59%***
Income tax	(7)	(3)	
Reported Net Income/(Loss)	**8**	**22**	***168%***
Sum of the "Adjustments"	19	15	
Adjusted Net Income/(Loss) [1]	**27**	**37**	**36%**

(1) Please see detailed explanation below in table 5.2

- **Adjusted EBITDA post IFRS 16 of €105M in 1Q19 (+40% YoY)** representing a €15M QoQ increase vs. 4Q18. EBITDA margin reached 27% in 1Q19 vs. 22% in 1Q18

Chart 5.1 – Quarterly Adjusted EBITDA Performance (€M)



(1) EBITDA Post IFRS 16 in 1Q19

- **Reported Net Income for the quarter was €22M, while Adjusted Net income reached €37M**
    - Adjusted Net Income of €37M after adjusting for one-offs and other non-business-related accounting charges:
        - Net operative one-offs of €3.7M. 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 €7.0M
        - €5.6M charges linked to the management long-term incentive plan
        - Interests from Providence convertibles of €3.8M
        - Tax impact of the above-mentioned adjustments of -€5.0M

Adjusted EPS for the period of €0.29 based on 126.7M fully diluted shares (including Providence reinvestment of €120M in the form of a common equity capital increase at a share price of €18.45)

Table 5.2 – Adjusted Net Income and EPS

M€, unless otherwise stated	1Q19
Reported Net Income/(Loss)	**21.8**
Operative one-offs	3.7
Amortization of acquired customer base & brand	7.0
Management incentive plans (SAR)	5.6
Interest on Providence	3.8
Tax impact of "Adjustments"	(5.0)
Adj. Net Income/(Loss)	**36.9**
Fully diluted number of shares (million)	126.7
Adj. EPS (fully diluted,€)	**0.29**

Consolidated Balance Sheet

Table 6.1 – Consolidated Balance Sheet

M€	FY18	1Q19	Delta
Non current assets	**2,172**	**2,337**	**164**
Intangible assets	1,212	1,367	156
Property, plant and equipment	610	633	22
Other non current assets	104	90	(14)
Deferred tax assets	246	246	0
Current assets	**481**	**436**	**(45)**
Inventories	1	1	(1)
Trade and other receivables	238	248	10
Other current assets	144	152	9
Cash and cash equivalents	98	35	(63)
Total assets	**2,653**	**2,772**	**119**

M€	FY18	1Q19	Delta
Equity	**476**	**482**	**6**
Share capital	2	2	0
Additional paid in capital	616	616	-
Reserves and other equity instruments	(143)	(136)	6
Non-current liabilities	**1,257**	**1,472**	**214**
Long term debt	769	968	199
Other financial non-current liabilities	178	180	3
Provisions	105	107	2
Other non-financial non-current liabilities	145	158	13
Deferred tax liabilities	61	59	(2)
Current liabilities	**920**	**818**	**(102)**
Current portion of long term debt	322	330	7
Other financial current liabilities	13	66	54
Provisions	31	20	(11)
Trade and other payables	554	402	(152)
Total equity and liabilities	**2,653**	**2,772**	**119**

Source: Company

Note: Increase in Intangible Assets mostly due to IFRS 16 impact resulting in the same increase in long-term debt

- **Net Debt (excluding convertible) of €1,107M represents net leverage of 2.6x 1Q19 annualized Adjusted EBITDA.**
    - Net debt of €1,107M excluding the outstanding Providence convertible as of 1Q19
    - Cash and Cash Equivalents of €35M as of 1Q19
    - Net Debt excluding outstanding Providence convertible should be considered as the most relevant metric as the repurchase of the Providence convertible has already been contractually agreed
    - The ACS convertible was successfully bought back in November 2018

Table 6.2 – Net Debt Overview

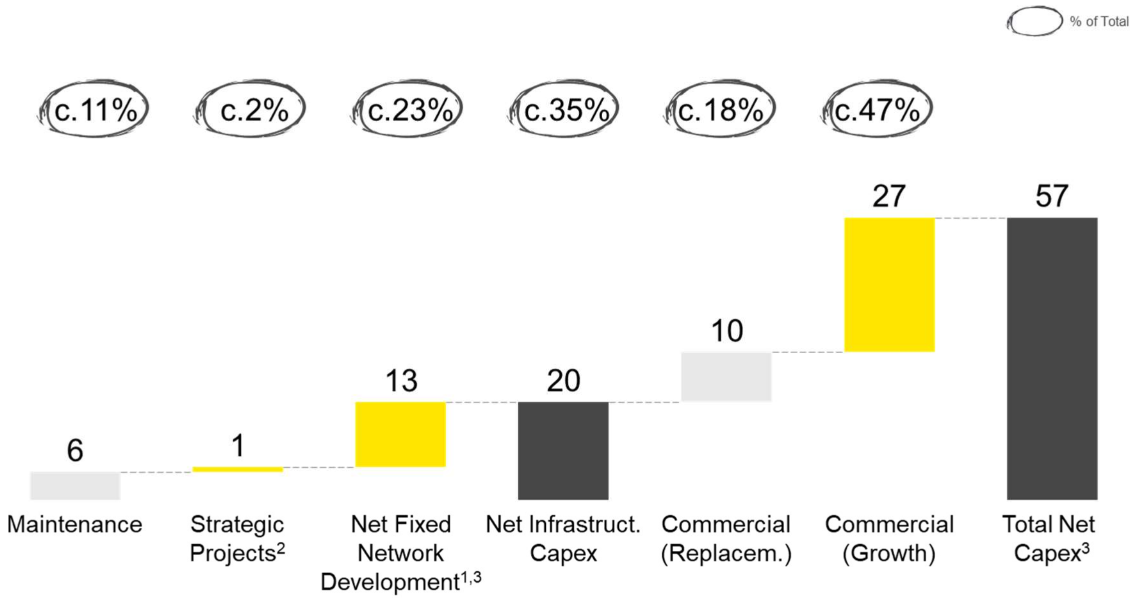
€M	FY17	FY18	1Q19	Delta 1Q19 vs. FY18
Short-term commercial paper	16	-	50	50
Senior debt	407	680	784	104
Bonds	33	28	28	0
Junior debt	106	120	102	(18)
Providence convertible	115	131	134	2
ACS convertible	139	-	-	-
IFRS 16	-	-	149	149
Other debts	23	41	29	(12)
Cash & cash equivalents	(320)	(98)	(35)	(63)
Net Debt	**519**	**901**	**1,241**	**340**
Providence convertible	(115)	(131)	(134)	(2)
ACS convertible	(139)	-	-	-
Net Debt (excl. convertibles)	**265**	**770**	**1,107**	**337**
x Adjusted EBITDA (1)	*1.1x*	*2.3x*	*2.6x*	

(1) Leverage calculated as Net debt excluding convertibles divided by annualized Adjusted EBITDA for each period and for 1Q19

Cash Flow Statement

- **Net Capex of: €57M in 1Q19**
  - Fixed Network Development Capex of €13M in 1Q19, representing c.23% of the Total Net Capex over the period.
  - MASMOVIL's own FTTH network increased by 0.3M BUs to 6.4M BUs as of 1Q19. Timing of the sale of IRUs to third parties resulted in lower implicit unitary cost for the quarter, which will be compensated during the following quarters.
  - Maintenance Capex reached €6M in 1Q19 while Capex dedicated to Strategic Projects was €1M during the period.
  - Commercial Capex, which is directly associated to the Company's acquisition of broadband lines, amounted to €37M in 1Q19.

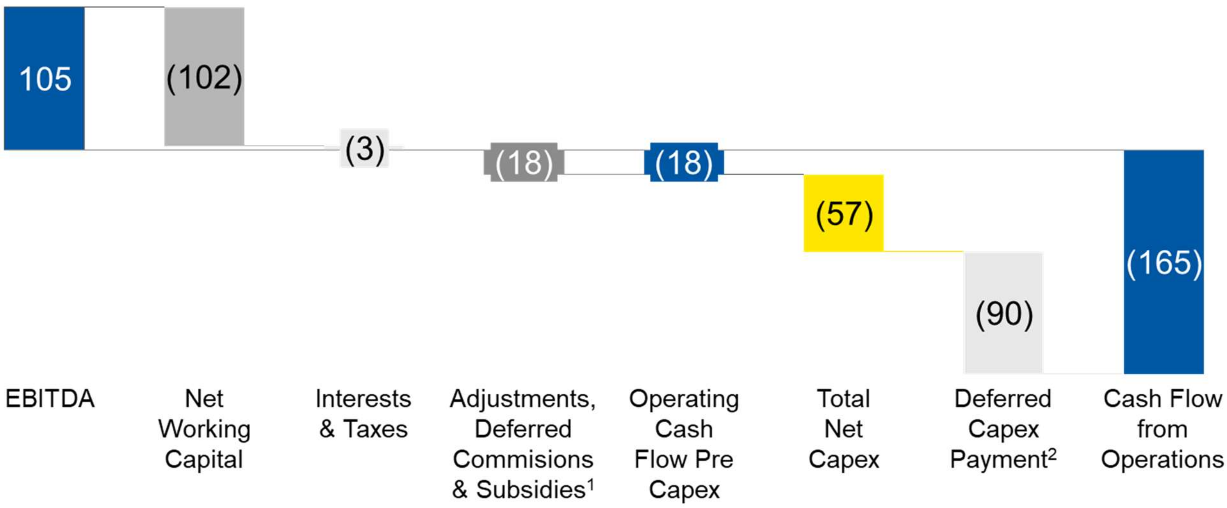
Table 7.1 – Capex 1Q19 (€M)



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

- **Cash Flow from Operations of -€165M in 1Q19**
  - Net Working Capital outflow of €87M due to seasonally higher accounts payable in 1Q19
  - Interest and taxes of -€3M and Adjustments, Deferred Commissions & Subsidies (IFRS 15 & 16 related) of -€33M
  - Deferred Capex of -€88M mainly in relation to payments to Vodafone from the agreement signed in 4Q18, which was paid in 1Q19, as disclosed at the time of the announcement of the agreement

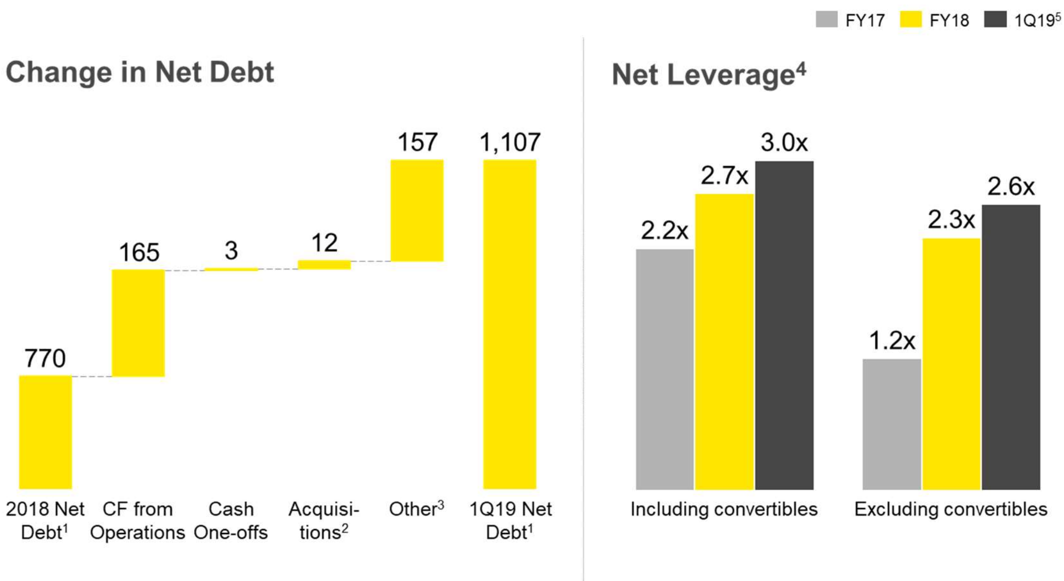
Table 7.2 – Cash Flow from Operations 1Q19 (€M)



1 Includes impact from IFRS15 (mainly commissions/subsidies deferred) and impact from IFRS16
2 Mainly due to the payment from Vodafone co-invest agreement from 4Q18
SOURCE: Company

- **Change in Net Debt**
  - Increase in Net Debt mainly due to negative Cash Flow from Operations of -€165M.
  - Other factors (-€157M) mainly includes IFRS 16 Adjustments for €148M

Table 7.3 – Change in Net Debt (€M)



1 Excluding convertibles
2 Cash outflow for M&A
3 Majority due to IFRS16 impact and also includes cash interest accrued but yet to be paid
4 Leverage calculated as Net Debt excl. convertibles divided by annualized Adjusted EBITDA of €420M. As of year-end 2018 only Providence convertible is outstanding
5 Includes IFRS16 impact
SOURCE: Company

Relevant Issues Following the Closing of the Period

- **Repurchase of Providence convertible in full and refinance of existing debt.**

  On April 1st 2019, MASMOVIL ("**Company**") announced an agreement with PLT VII MC S.a.r.l. ("**Providence**") for a full repurchase of its convertible debt (the "**Convertible**") in MASMOVIL (the "**Repurchase**") financed with a combination of debt and equity fully underwritten by Goldman Sachs and BNP Paribas. The Company also announced that as part of the transaction it will refinance the majority of its existing outstanding debt (the "Refinancing")

  A. The Repurchase of the Convertible, for a total amount of €883M, was structured in two tranches:

  i. First tranche: repurchase of 40% of the Convertible for €351M payable on May 7th, 2019
  ii. Second tranche: repurchase of the remaining 60% of the Convertible for €533M, payable on December 20th, 2019. The final price of this tranche is subject to a price adjustment of ±€60M dependent on the future evolution of the Company's share price through December 19, 2019 (based upon a c. ±20% variation vs. a reference price of €18.45)

  B. The Refinancing of MASMOVIL's current capital structure for a total amount of €890M and the Repurchase of the Convertible for a total amount of €883M, as detailed above, were **planned to be funded with the following fully underwritten financing facilities**:

  - €1,450M of covenant-lite Term Loan B ("TLB") priced at an expected E+350bps. The TLB Loan has no required amortization and matures in 7 years (2026)
  - €200M of preferred equity, which is expected to be replaced with common equity through an accelerated bookbuild offering ("ABO") within the next 9 months

  C. In addition, **MASMOVIL raises €120M of common equity** from Providence at a share price of €18.45 in the form of 6.5M newly issued shares. Providence has agreed to a lock-up on all its shares for 12 months maximum or 6 months post the planned ABO

- **FTTH Network Transactions**

  - **MASMOVIL to sell 933k FTTH BUs for €217.5M to infrastructure fund**
    - The Company has reached an agreement with an international infrastructure fund for the sale of 933k FTTH building units ("BUs") for a total consideration of €217.5M
    - Additionally, MASMOVIL has the right to sell another c.40k BUs derived from the further densification of such network for an additional consideration of c. €7.5M
    - Under the agreement MASMOVIL keeps full ownership of the existing client base on the divested network, for which the transaction will be completely neutral (no action needed at the client's home). MASMOVIL has currently a commercial penetration of c.7% in this network
    - MASMOVIL expects this transaction to have a negative impact on EBITDA of c.€5M for 2H 2019 but reiterates nonetheless its Adjusted EBITDA guidance of €450M for FY19

  - **MASMOVIL acquires from Orange 1M FTTH BUs for c. 70M€**
    - The Company has reached a new agreement with Orange Spain ("Orange") that allows MASMOVIL to acquire the Indefeasible Right of Use ("IRU") during 35 years for a total of 1M building units ("BUs") for a total consideration of c.€70M before the end of the year
    - The acquisition of these IRU's will have a positive impact on the profitability of MASMOVIL, as the Company obtains owner economics for the current MASMOVIL's clients located within the acquired BU's
    - The Company has already achieved a commercial penetration of more than 6% in this network (around 87% of the BU's included in the transaction have been already deployed by Orange)
    - This agreement complements the previous ones reached between the two companies since the launching of the broadband offer by the Group back in 2016

  - **The combination of the two transactions is positive for MASMOVIL**
    - The two transactions together don't change the size of MASMOVIL's own FTTH network. The Company maintains its target of 8M own FTTH BUs by the end of 2019
    - The transactions are also neutral for MASMOVIL in terms of clients, while the area acquired has a slightly more positive uptake trend and consequently are also neutral on midterm EBITDA on a full year basis
    - The combination of the transactions generates €150M of net proceeds, resulting in a positive Cash Flow from Operations generation in 2019
    - The valuation of €233 per BU implies a total value of c.€1.5Bn for the 6.4M FTTH BUs of MASMOVIL's network

Disclaimer

This document may contain forward-looking statements and information (hereinafter, the “Statements”) relating to MASMOVIL IBERCOM, S.A., or MASMOVIL Group (hereinafter indistinctly, “MASMOVIL”, the "Company“ or the “Group") or otherwise. These Statements may include financial forecasts and estimates based on assumptions or statements regarding plans, objectives and expectations that make reference to different matters, such as the customer base and its evolution, growth of the different business lines and of the global business, market share, possible acquisitions, divestitures or other transactions, Company’s results and other aspects related to the activity and situation of the Company.

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