

COMMUNICATION OF PRIVILEGED INFORMATION

MASMOVIL GROUP

28th July 2020

In accordance with article 17 of the Regulations (UE) number 596/2014 on market abuse and article 226 of the Securities Market Act passed by Legislative Royal Decree 4/2015 of October 23 and concordance rules, we inform the market about the following Relevant Fact referred to MASMOVIL IBERCOM, S.A. ("**MASMOVIL**" or the "**Company**" o the "**Group**").

Earnings Report 2Q 2020

In Madrid on 28th July 2020

Meinrad Spenger
CEO
MASMOVIL IBERCOM, S.A.

Index earnings Report 2Q 2020

Key Highlights 2Q20	3
Financial and Operational Results	6
Consolidated Profit and Loss Statement	11
Consolidated Balance Sheet	13
Cash Flow Statement	15
Relevant Issues Following the Closing of the Period	17
Disclaimer	18

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




Key Highlights 2Q20

- **Momentum continues despite the lockdown and restrictions imposed on commercial activity**
 - Solid performance in 2Q20: Good results were achieved – both in commercial and financial terms - despite the suspension of the fixed and mobile portability process for our customers in Spain (a unique situation within Europe) and other commercial restrictions derived from the declaration of the State of Alarm in Spain due to COVID-19, with a full impact for around two months this quarter
 - Service Revenue: +19% YoY in 2Q20
 - Client growth: the number of broadband subscribers increased in Q2 by 108K (+7% QoQ) and mobile postpaid subscribers by 153K (+3% QoQ)
 - Number of subscribers: the number of broadband and postpaid mobile subscribers in the last 12 months grew by 480K (+39% YoY) to >1.7M lines and by 861K (+17% YoY) to > 6.0M lines respectively

- **Increased Profitability in 2Q20**
 - Adjusted EBITDA: €143M implies a +28% growth rate and represents €31M YoY increase relatively to 2Q19
 - EBITDA Margin: increased from 27% in 2Q19 to 32% in 2Q20 (+5pp)
 - Adjusted Net Income: €73M with €0.56 EPS

- **Full 2020-21 Guidance reiterated despite Covid19:**
 - Introduction: Throughout this crisis, the Company has been focusing on facilitating a swift return to full operating momentum once the economy had reopened. The measures implemented, which include the support to our sales channels and partners, avoidance of layoffs in the Group and strengthening of our network capacities, have proved to be successful. While there is still uncertainty around the duration and future impact of these exceptional circumstances, 1H20 performance allows us to be confident that MASMOVIL commercial plans will not be materially affected by Covid19
 - EBITDA guidance confirmed: MASMOVIL is confirming its FY20 Adjusted EBITDA guidance of €570-600M; Margin 30-32% and for 2021 of €670-700M; Margin 32-34% (all of the above excluding Lyca Spain contribution)
 - As already announced on July 2nd, the Company considers that probably the Adjusted EBITDA for 2020 will sit in the lower end of the guidance range while feeling comfortable with the upper end of the Adjusted EBITDA guidance range for 2021
 - Capex and EFCF guidance intact: The Group sticks to its Capex guidance of €295M and €255M for 2020 and 2021 respectively, and feels comfortable with the >€2 per share Equity FCF guidance for 2021 (all of the above excluding Lyca Spain contribution and before including potential net proceeds from the sale of fiber footprint to an InfraCo as recently announced)

GRUPOMASMOVIL

		FY20 Guidance	1H20 Reported	On track?
Adjusted EBITDA 	Adjusted EBITDA (before one-off costs)	€570M- €600M ¹	€277M	✓
Net Capex 	Net Capex ²	€295M	€185M	✓
Deleveraging Path 	Net Debt / EBITDA ³	3.2x	3.5x	✓

1 Guidance excluding Lyca Spain

2 Guidance of €295M refers to net capex before including expected net proceeds from the sale of fiber footprint to an InfraCo recently announced (€170M post deal proceeds)

3 1H20 Net Debt of €2,294M over a FY20 EBITDA including our mid-point guided EBITDA of €585M before Lyca Spain plus the expected annual pro-forma Lyca Spain contribution

Source: Company

• Network Development on Plan

- Total FTTH coverage increased to 25.2M Building Units (“BUs”), including wholesale access, basically covering now the vast majority of Spanish BUs
- MASMOVIL’s own/usage rights FTTH footprint increased to 13.8M BUs which is equivalent to c.75% coverage of all Spanish primary households¹

• Operational Milestones & Initiatives During the Period

- Adaptation of the entire offer of products and services of all brands to the COVID-19 situation and the regulatory limitations in place
- Yoigo launched infinite GB mobile rate and new Yoigo subsidized devices - TV and consoles
- Pepephone new convergent portfolio
- App redesign for Yoigo and Pepephone, and a new one launched for Llamaya
- Mobile screen break insurance service implemented for all brands
- Implementation of the online reputation plan Covid19 in SEO and Social Networks, generating content, increasing presence, and improving sentiment.
- The PLA project (Pienso Luego Actúo) has reached 50M views
- Reopening of Yoigo and MASlife stores with all COVID-19 security measures
- Development and launch of GUUK (new brand for the Basque Country region in early Q3)

¹ Assuming 18.5 million primary households (not BUs) according to INE

- **MASMOVIL completes the acquisition of virtual mobile operator Lyca Spain**
 - As announced on June 12th, after obtaining the relevant antitrust authorities' approval, MASMOVIL completed the acquisition of Lycamobile, S.L.U., a virtual mobile operator in Spain operating under the Lycamobile brand
 - Lyca Spain is a virtual mobile operator specialized in the pre-paid segment with around 1.5 million lines at the end of December 2019, with an ARPU > €7 with 2019 revenues of approximately €132 million and EBITDA of approximately €45 million. The acquisition of Lyca Spain reinforces MASMOVIL's position in the prepaid segment in Spain
- **MASMOVIL has reached a new bitstream FTTH agreement with ORANGE to share over 2.2m newly built BUs**
 - MASMOVIL also announced having reached an agreement with ORANGE on bitstream access under which both parties will deploy a total incremental FTTH footprint of 2.20M - 2.75M Building Units ("BUs") between 2020 and 2023
 - MASMOVIL has committed to deploy 500k of these BUs, and has the option to deploy 250k additional ones, while the remaining will be developed by Orange
 - Both MASMOVIL and Orange have committed exclusive bitstream use in other's new network for a period of 20 years
- **Firm Offer of an InfraFund to acquire a majority stake of a new FTTH NetCo that will own up to 1,078k BUs deployed by MASMOVIL**
 - The Company announced that a new NetCo will be set up jointly by a reknown InfraFund and MASMOVIL with MASMOVIL retaining a material minority stake
 - NetCo will obtain financing from a leading international bank to acquire from MASMOVIL up to 1,078k Building Units (BUs)
 - MASMOVIL will have contributed c.€60M of equity into the NetCo by the end of the deployment phase, for a material non-controlling stake in NetCo. MASMOVIL will also provide to NetCo operation and maintenance (O&M) as well as transmission services
 - Through this transactions MASMOVIL will fulfill its current plan to increase its commercially addressable FTTH network and, at the same time, be able to generate net cash proceeds of c.€215M-€245M at the end of the project (net of the rollout investment and before taxes) of which c.€131M-€144M net cash proceeds are expected by YE 2020
- **Take Over Bid launched by a consortium of private equity firms**
 - On June Lorca Telecom Bidco, S.A.U., a company indirectly owned with equal stakes by funds and vehicles managed or advised by PEP VII-A International Ltd y PEP VIII International Ltd, Cinven Capital Management (VII) General Partner Limited, and Kohlberg Kravis Roberts & Co. L.P. has registered with the CNMV the request for approval of a voluntary takeover bid over the full of MASMOVIL's shares

Financial and Operational Results

• Financials for 1H20

- MASMOVIL generated Service Revenues of €817M (+19% YoY) and Total Revenues of €898M (+13% YoY)
- Adjusted EBITDA of €277M (+28% YoY) with an EBITDA margin of 31%
- Reported Net Income of €1M and Adjusted Net Income of €73M represents €0.56 Adjusted EPS
- Total Net Capex of €185M includes €88M of Commercial Capex and €43M in relation to new FTTH deployments (400k BUs in 1H20)

Growth Capex of €113M (>60% of Total Net Capex) reflects MASMOVIL's operating momentum

- MASMOVIL's own/usage rights FTTH network coverage increased to 13.8M BUs (vs. 7.6M BUs in 2Q19), representing 53% of MASMOVIL's total FTTH footprint of 25.2M BUs in 2Q20

These 13.8M BUs above mentioned include usage rights of 5.2M BUs from our Orange deal announced in October 2019

- Net Debt of €2,294M equivalent to a financial leverage of 3.5x when using the adjusted EBITDA guidance of €585M (midpoint of the €570-600M pre-Lyca Spain guidance range) plus the expected annual pro-forma Lyca Spain contribution
- Cash Flow from Operations of -€190M mainly due to 2019 deferred capex payments, NWC adjustments and deferred commissions and subsidies

• Subscribers and KPIs

- MASMOVIL achieved +108k fixed broadband net adds and +153k postpaid mobile net adds in 2Q20
- As of 2Q20 MASMOVIL reached 6.0M mobile postpaid lines (+17% YoY) and 1.7M broadband lines (+39% YoY)
- Mobile prepaid lines went up in 1H20 by 59% to 2.9M lines once having consolidated Lyca Spain as already discussed earlier in the report

Table 1 – Key Financials

	1H19	1H20	Growth (%)
			Reported
Lines (M)			
Mobile postpaid	5.2	6.0	17%
Mobile prepaid	1.8	2.9	59%
Broadband	1.2	1.7	39%
Total Lines	8.3	10.7	29%
Key Financials (M€, unless otherwise)			
Service Revenues	688	817	19%
Total Revenues	792	898	13%
Adjusted EBITDA⁽¹⁾	216	277	28%
Adjusted Net Income	58	73	27%
Net Debt	1,753	2,294	31%
Key KPIs			
EBITDA Margin (%)	27%	31%	348 bps
Net Debt/Adjusted EBITDA ⁽²⁾	4.0x	3.5x	
Adj. EPS (fully diluted, €)	0.41	0.56	36%
Shares Outstanding (M)			
Basic	131.7	131.7	
Fully Diluted ⁽³⁾	131.7	131.7	

(1) EBITDA excludes, one-off expenses and stock appreciation rights (long-term management incentive plan)

(2) 1H20 Net Debt of €2,294M over a FY20 EBITDA including our midpoint guided EBITDA of €585M excluding Lyca Spain plus the expected annual pro-forma Lyca Spain contribution

(3) FY19 and FY20 number of shares outstanding and fully diluted are equal

Source: Company

- **1H20 Service Revenue growth of +19% YoY**
 - Service Revenues grew +19% YoY to €817M in 1H20
 - Other Revenues declined 23% (low margin revenues)
 - Total Revenues grew +13% YoY reaching €898M in 1H20

Table 2 – Revenue Split

€M	1H19	1H20	Growth (%)
			Reported
Service Revenues	688	817	19%
Other Revenues	104	80	(23%)
Total Revenues	792	898	13%
Net Revenues⁽¹⁾	701	828	18%

(1) Net Revenues calculated as Service Revenues plus Gross Profit contribution from Other Revenues

Source: Company

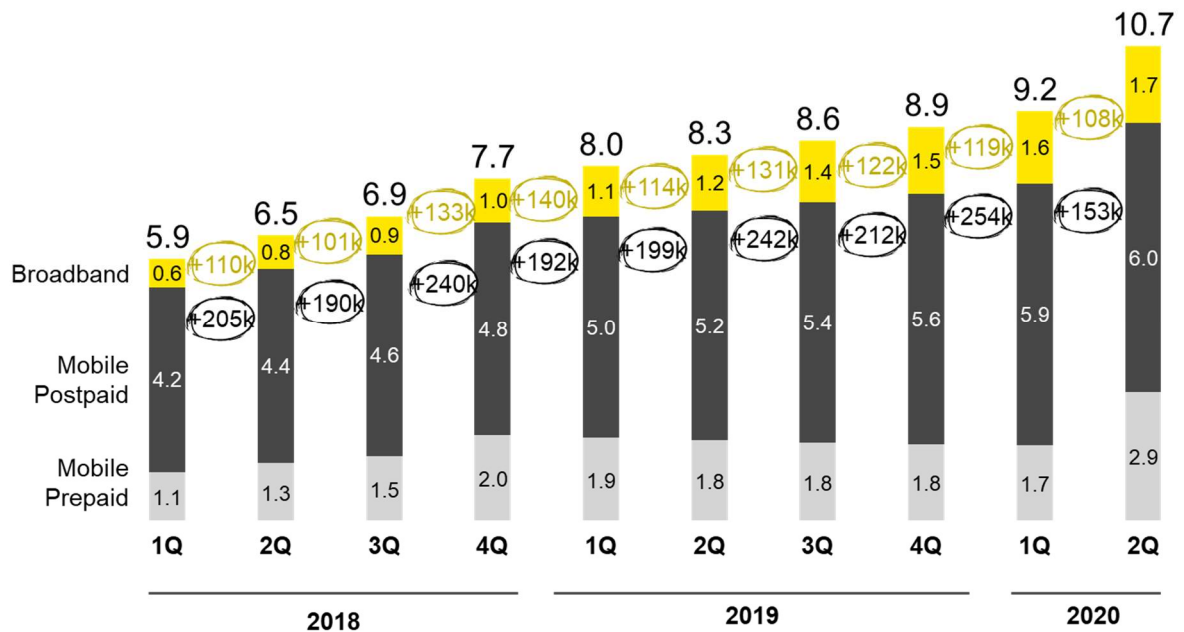
- **MASMOVIL continues its strong growth trajectory and reaches a total of 10.7M lines including 1.7M broadband lines**
 - At the end of 1H20, MASMOVIL had 10.7M total lines (+29% vs. 1H19) including the contribution from Lyca Spain from this quarter
 - Our multi-brand strategy of addressing different customer segments with tailored value propositions continues to deliver positive results
 - Cross-selling of broadband to the existing mobile subscriber base as well as the upselling of higher value packages like Agile TV service remains on track

Table 3 – Overview of Customer Base

M Lines	1H19	1H20	Delta	Growth
Mobile postpaid	5.2	6.0	0.9	17%
Mobile prepaid	1.8	2.9	1.1	59%
Total Mobile	7.0	9.0	2.0	28%
Broadband	1.2	1.7	0.5	39%
Total lines	8.3	10.7	2.4	29%

Source: Company

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



Source: Company

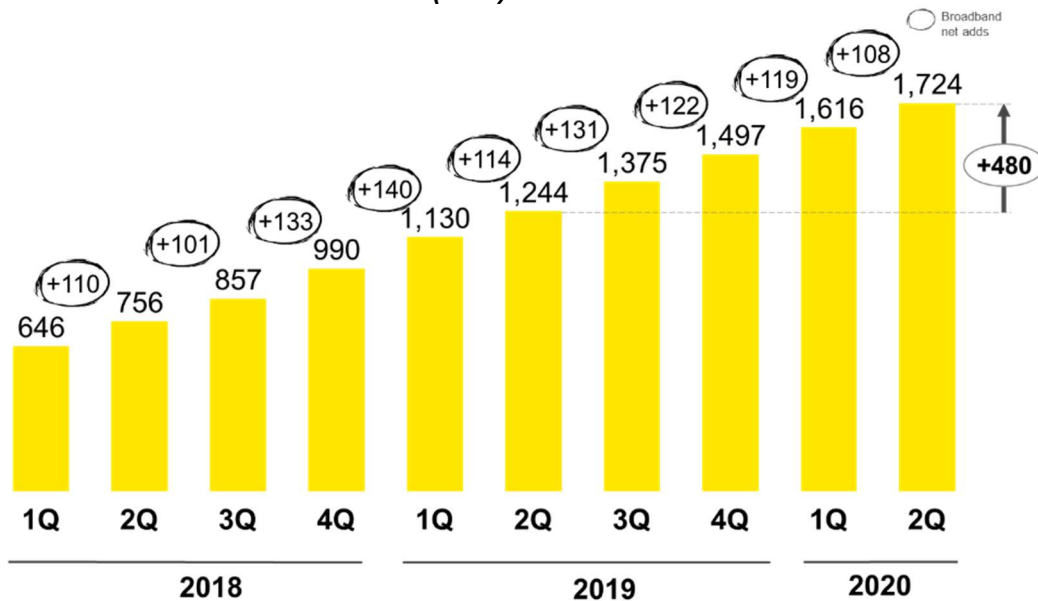
- **Broadband net adds of +108k in 2Q20**

- MASMOVIL added +108k new net broadband lines during 2Q20 resulting in a total of 1.7M broadband lines as of 2Q20 (+39% YoY)

- **Mobile postpaid lines grew +17% YoY and 3% QoQ**

- In 2Q20, MASMOVIL reached 6.0M mobile post-paid clients, an increase of +861k lines vs. 2Q19 and +153k vs. 1Q20
- The use of its different brands (Yoigo, MASMOVIL, Pepephone, Llamaya and Lebara) with tailored value propositions and sales channels allows MASMOVIL to adequately address customers with different profiles and behavior

Chart 2 – Evolution of Broadband Lines ('000)

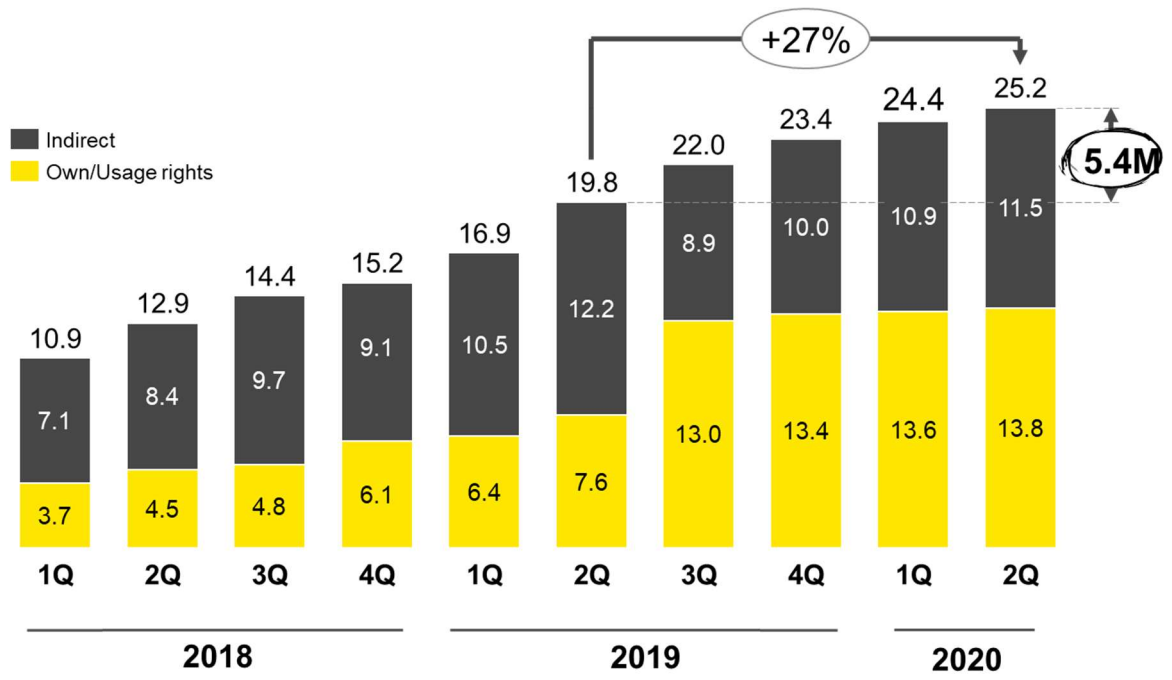


Source: Company

- **FTTH footprint increased to 25.2M BUs, growing 6.4M since 2Q19 (+27% YoY)**

- The co-invest agreements signed with Orange (several since 2016) and Vodafone (4Q18), continued own deployments as well as the usage rights over 5.2M BUs from the new Orange deal announced on Oct 1st 2019, enabled MASMOVIL to expand its own/usage rights FTTH pro-forma footprint to 13.8M BUs as of 2Q20
- An additional 11.5M BUs are accessible through Bitstream agreements with third parties

Chart 3 – Fiber Footprint Expansion (Million BUs)



Source: Company

Consolidated Profit and Loss Statement

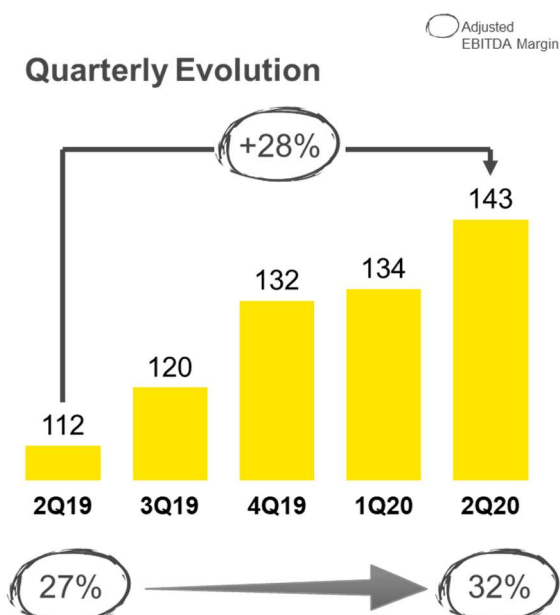
Table 4 – Summarized P&L (€M)

	1H19 Reported	1H20 Reported	Growth (%) Rep. vs. Rep.
Service Revenues	688	817	19%
Other revenues	104	80	-23%
Revenue	792	898	13%
Other operating revenue	41	27	-36%
Cost of sales	(552)	(584)	6%
Other operating expenses	(64)	(63)	-2%
Adjusted EBITDA	216	277	28%
Net one-offs	(7)	(20)	n.m.
Capital gain sale of assets and loss impairment	-	(8)	n.m.
Reported EBITDA	210	249	19%
Depreciation and amortization	(123)	(154)	25%
Reported EBIT	87	95	10%
Net financial expenses	(134)	(90)	-33%
Reported Profit before taxes	(47)	5	n.m.
Income tax	14	(4)	n.m.
Reported Net Income/(Loss)	(34)	1	0%
Sum of the "Adjustments"	88	72	n.m.
Adjusted Net Income/(Loss) ⁽¹⁾	54	73	36%

(1) Please see in the next table the list of adjustments
Source: Company

- **Adjusted EBITDA of €143M in 2Q20 +28% YoY**
 - 2Q20 EBITDA of €143M represents a €31M YoY increase vs. 2Q19
 - EBITDA margin expanded to c.32% in 2Q20 vs. 27% in 2Q19

Chart 4 – Quarterly Adjusted EBITDA Performance (€M)



Source: Company

- **Adjusted Net Income for 1H20 of €73M and Reported Net Income of €1M**

- Adjusted Net Income of €73M after adjusting for the following one-offs and other non-business-related accounting charges:
 - Reversal of operating one-offs of €19.6M. These non-recurring losses include the usual non-recurring costs related to the ongoing migration of legacy national roaming contracts and one-off integration costs. However, in 1H20 it also includes some Covid19 related one-off expenses of different nature, including social initiatives (masks and connected devices donation among others), channel and call center support and some Covid19 attributable bad debt
 - Reversal of €7.7M net losses derived from the refurbish process of routers
 - Amortization of acquired customer base and brand for €21.8M
 - €46.9M linked to management's long-term incentive plan
 - Tax impact of the above-mentioned adjustments of -€24.0M€

Adjusted EPS for the period of €0.56. EPS is based on 131.7M shares outstanding. 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 (€M)

	1H20
Reported Net Income/(Loss)	1.5
Operating one-offs	19.6
Capital gain sale of assets and loss impairment	7.7
Amortization of acquired customer base & brand	21.8
Management incentive plans (SAR)	46.9
Tax impact of "Adjustments"	(24.0)
Adj. Net Income/(Loss)	73.4
Number of shares (million)	131.7
Adj. EPS (€)	0.56

Source: Company

Consolidated Balance Sheet

Table 6 – Consolidated Balance Sheet (€M)

	FY19	1H20	Delta
Non current assets	2,801	3,312	511
Intangible assets	1,724	2,156	432
Property, plant and equipment	648	711	63
Other non current assets	136	153	17
Deferred tax assets	294	292	(2)
Current assets	473	696	223
Inventories	12	7	(5)
Trade and other receivables	220	262	43
Other current assets	178	180	1
Cash and cash equivalents	63	248	184
Total assets	3,274	4,008	734

	FY19	1H20	Delta
Equity	104	101	(3)
Share capital	3	3	-
Additional paid in capital	836	836	-
Reserves and other equity instruments	(735)	(738)	(3)
Non-current liabilities	1,864	2,593	729
Long term debt	1,546	2,255	709
Other financial non-current liabilities	17	17	(0)
Provisions	56	52	(3)
Other non-financial non-current liabilities	180	187	7
Deferred tax liabilities	66	83	17
Current liabilities	1,306	1,314	8
Current portion of long term debt	550	385	(164)
Other financial current liabilities	137	205	68
Provisions	95	153	57
Trade and other payables	524	571	47
Total equity and liabilities	3,274	4,008	734

Source: Company

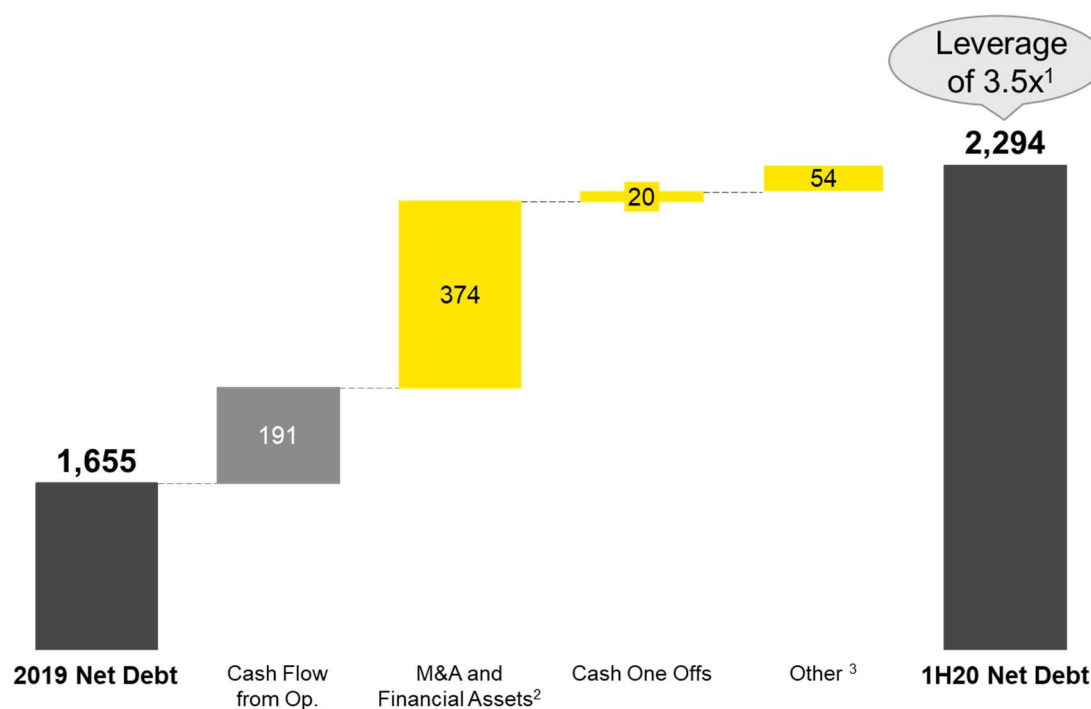
Table 7 – Net Debt Overview (€M)

	FY19	1H20	Delta 1H20 vs. FY19
Short-term commercial paper	100	170	70
TLB	1,408	1,412	4
Senior debt	-	673	673
Bonds	28	0	(27)
IFRS 16	147	191	44
Other debts	35	94	60
Cash & cash equivalents	(63)	(248)	(185)
Net Debt	1,655	2,294	638
<i>x Adjusted EBITDA ⁽¹⁾</i>	<i>4.0x</i>	<i>3.5x</i>	

(1) 1H20 Net Debt of €2,294M over a FY20 EBITDA including our mid-point guided EBITDA of €585M before Lyca Spain plus the expected annual pro-forma Lyca Spain contribution

Source: Company

Chart 5 – Change in Net Debt (€M) resulting in around 3.5x leverage¹



1 1H20 Net Debt of €2,294M over a FY20 EBITDA including our mid-point guided EBITDA of €585M before Lyca Spain plus the expected annual pro-forma Lyca Spain contribution

2 Mostly due to Lyca Spain acquisition

3 Includes other accrued debt in B/S including the impact from Financial Leases (IFRS16)

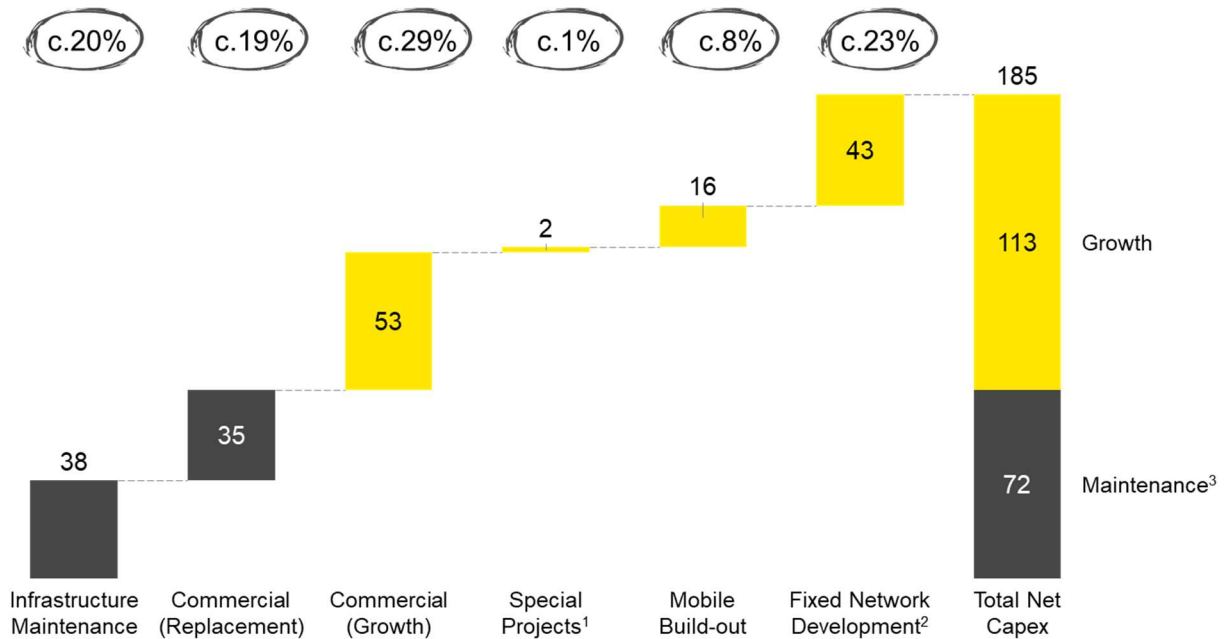
Source: Company

Cash Flow Statement

- **Net Capex of €185M in 1H20**

- Fixed Network Development Capex was €43M in 1H20, representing 23% of the Total Net Capex over the period. This includes >0.4M BUs of fiber deployment this semester
- Technical Maintenance Capex reached €38M in 1H20 and Capex dedicated to Special Projects was only €2M in the period
- Commercial Capex, which is directly associated to the Company's acquisition of broadband lines, amounted to €88M in 1H20, of which €53M was dedicated to growing the Company's broadband customer base
- Growth related Capex amounted to €113M (>60% of total Capex), while total 1H20 Maintenance Capex reached €72M

Chart 6 – Capex 1H20 (€M)



¹ Special projects includes areas such as digitalization, cybersecurity, and other extraordinary projects

² Includes Transmission and Access, net of IRU sales

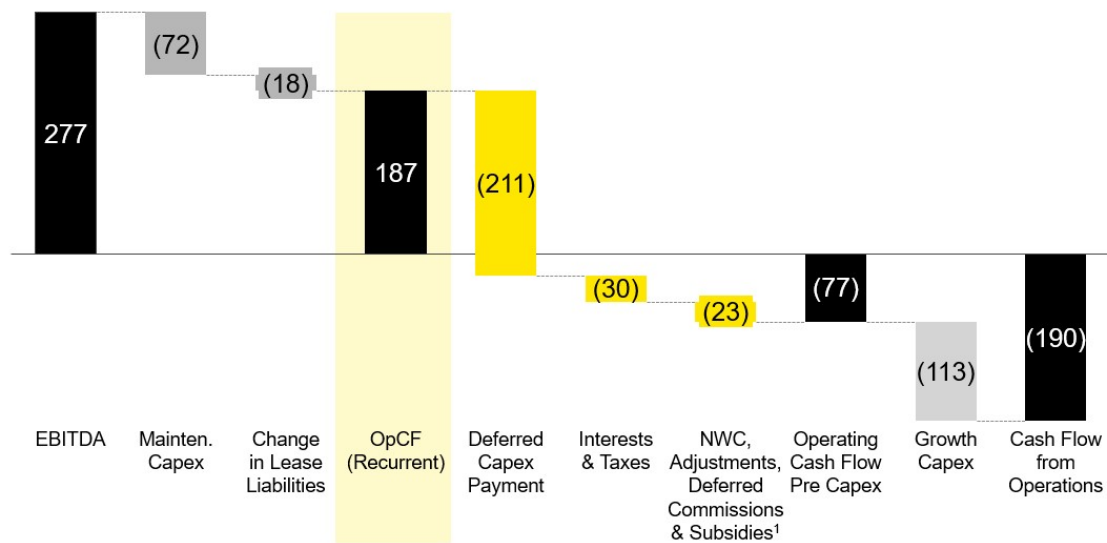
³ Includes churn related (replacement) commercial capex and maintenance infrastructure Capex

Source: Company

- **Cash Flow from Operations of -€190M in 1H20**

- OpCF (recurrent) in 1H20 was €187M
- Interest and taxes were -€30M while NWC, Adjustments, Deferred Commissions & Subsidies (including IFRS15 adjustments) were -€23M
- Cash Flow from Operations was -€190M in 1H20, affected mainly by deferred Capex payments of -€211M

Chart 7 – Cash Flow from Operations 1H20 (€M)



¹ Includes IFRS15

Source: Company

Relevant Issues Following the Closing of the Period

On June 1st, 2020 Lorca Telecom Bidco, S.A.U. (the "**Bidder**"), a company indirectly owned with equal stakes by funds and vehicles managed or advised by PEP VII-A International Ltd y PEP VIII International Ltd ("**Providence**"), Cinven Capital Management (VII) General Partner Limited ("**Cinven**"), y Kohlberg Kravis Roberts & Co. L.P. ("**KKR**") (jointly the "**Consortium**") registered with the CNMV the request for approval of a voluntary takeover bid over the full of MASMOVIL's shares (the "Offer") by a communication to the Spanish Regulator (CNMV) of relevant information with the number 264 (the "Request")

Regarding the Request, the Company informed that it has had negotiations and conversations with the Consortium on the Offer, which included a confirmatory due diligence process by the Consortium, as well as the signing of an agreement between the Bidder and the Company regarding the Offer, whose main terms are reflected in the Request made by the Bidder, and that has been authorized by MASMOVIL's Board of Directors and subscribed by the parties also on June 1st, 2020

The Bidder manifested to the Company's Board of Directors its commitment, in case the Offer is successfully completed, of keeping the continuity of MASMOVIL's strategy and strategic and business plan, as well as its employees and management team

Notwithstanding the report on the Offer that the Board of Directors should issue within the terms and timing stated in the applicable law, once the Offer is authorized by the CNMV, if that is the case, the Board of Directors believed that this is a transaction beneficial for MASMOVIL's shareholders and other stakeholders, and that the transaction confirms the Bidder full trust in the strategy, business project and success history of MASMOVIL

The voluntary takeover bid process is still pending of the authorization of the CNMV, moment at which the prospectus of the offeror will be published, and the acceptance period will begin

Disclaimer

This document may contain forward-looking statements and information (hereinafter, the “Statements”) relating to MASMOVIL IBERCOM, S.A., or MASMOVIL Group (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.

The Statements can be identified, in certain cases, through the use of words such as “forecast”, “expectation”, “anticipation”, “aspiration”, “purpose”, “estimates”, “plan” or similar expressions or variations of such expressions. These Statements reflect the current views of MASMOVIL with respect to future events, do not represent, by their own nature, any guarantee of future fulfilment, and are subject to risks and uncertainties that could cause the final developments and results to materially differ from those expressed or implied by such Statements. These risks and uncertainties include those identified in the documents containing more comprehensive information filed by MASMOVIL before the different supervisory authorities of the securities markets in which its shares are listed and, in particular, the Spanish National Securities Market Commission.

Except as required by applicable law, MASMOVIL does not assume any obligation to publicly update the Statements to adapt them to events or circumstances taking place after the date hereof, including changes in the Company's business or business development strategy or any other unexpected circumstance.

This document and the conference-call (including the Q&A session) may contain summarized, non-audited or non-GAAP financial information. The information contained herein and therein should therefore be considered as a whole and in conjunction with all the public information regarding the Company available, including any other documents released by the Company that may contain more detailed information.

Neither this document nor the conference-call (including the Q&A session) nor any of their contents constitute an offer to purchase, sale or exchange any security, a solicitation of any offer to purchase, sale or exchange of any security, or a recommendation or advice regarding any security.