COMMUNICATION OF A RELEVANT FACT

MASMOVIL GROUP

6th November 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.

Financial results: First nine months 2017

In Madrid on 6th November 2017

Meinrad Spenger
CEO
MASMOVIL IBERCOM, S.A.

MASMOVIL

FINANCIAL RESULTS 9M17

Index

Information also available on www.grupomasmovil.com in "Information for Investors"

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1. Key Highlights

- **MASMOVIL reports adjusted net income of €45m for 9M17 or €1.36 per share (fully diluted) and 168M€ Recurrent EBITDA**

- **One of the fastest growing European Telecoms**
  - Service Revenue grew to 262M€ in 3Q17 (+22% yoy)
  - Recurrent EBITDA of €64m for 3Q17 (+86% yoy) with EBITDA margin of 19%

- **Convergent product momentum is accelerating**
  - Added 93K broadband lines in 3Q17
  - Total of 370k broadband lines by end of 9M17
  - 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 285k in 3Q17
  - Healthy Balance Sheet: Leverage (exc. converts) at 1.6x (considering updated Recurrent EBITDA guidance of 235M€)

- **Refinancing of senior facility ongoing and underwritten**
  - Maturity to be extended; interest rate to decrease
  - Additional capex line of 150M€ secured

- **MASMOVIL updates and increases its 2017 guidance**
  - Total combined net increase in fixed broadband lines and mobile post-paid lines of 800k lines (vs. previously 500k)
  - Service revenues +18% (vs. previously +10%)
  - Recurrent EBITDA of 235M€ (vs. previously >200M€)

MASMOVIL continues to reinforce its position as the 4th largest telecom operator in Spain. In 9M17, the company generated Service Revenues of 736M€ (+19% yoy) and Recurrent EBITDA of 168M€ (+87% yoy) due to strong operating momentum and continued realization of costs efficiencies

- **Organic growth across all key metrics**
  - 9M17 Subscribers: MASMOVIL added a total of 622k mobile postpaid and broadband lines in 9M17 (285k added in 3Q17) to reach 3.71M mobile postpaid and 370k broadband lines
  - 3Q17 Financial Highlights:
    - Service Revenues increased from 214M€ in 3Q16 to 262M€ (+22%).
    - Total Revenues increased from 282M€ to 340M€ (+21%).
    - Recurrent EBITDA increased from 34M€ to 64M€ (+86%), with Recurrent EBITDA margin at 19% in 3Q17 (vs 12% in 3Q16).

Table 1.1 – Key figures

	Units	2016 (4)	9M16 (4)	9M17	Growth	3Q16 (4)	3Q17	Growth
Mobile Postpaid	(M)	3.34	3.25	3.71	*14%*	3.25	3.71	*14%*
Mobile Prepaid	(M)	0.95	1.01	0.99	*-2%*	1.01	0.99	*-2%*
Broadband	(M)	0.12	0.07	0.37	*429%*	0.07	0.37	*429%*
Total number of lines	(M)	4.41	4.33	5.07	*17%*	4.33	5.07	*17%*
Blended billed ARPU	(€)	14.1				14.7	15.6	*6%*
Total revenues	(M€)	1,121	820	949	*16%*	282	340	*21%*
Total service revenues	(M€)	838	617	736	*19%*	214	262	*22%*
Recurrent EBITDA (1)	(M€)	119	90	168	*87%*	34	64	*86%*
Margin	(%)	11%	11%	18%		12%	19%	
Adjusted Net Income (5)	(M€)			45.1				
Adjusted EPS (fully diluted) (5)	(€)			1.36				
Net Debt excluding convertible debt	(M€)	336		380				
Leverage(3)		2.8x		1,6x				
Shares Outstanding	(M)		20.0	20.0				
Fully Diluted Shares Outstanding (2)	(M)		20.0	33.1				

(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 9M17 calculated by considering updated Recurrent EBITDA guidance of 235€.
(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

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2. Updated 2017 guidance

- **As promised in the previous quarterly earnings statement, the company is updating its 2017 guidance.**

- **Given the performance of the company in the first nine months of the year MASMOVIL increases its 2017 guidance to:**

  - Total combined net increase in fixed broadband lines and mobile post-paid lines from previous guidance of 500k lines to 800k lines (+60%).
  - Growth in Service Revenues vs 2016 Proforma Service Revenues (838M€) from a previous guidance of more than +10% to +18% yoy (+80%).
  - Recurrent EBITDA (before one-off costs) of 235M€ in 2017, after 119M€ in 2016 (+35M€ vs. the previous guidance of more than 200M€).

3. Operational and Financial Review

- **+19% Proforma Service Revenue growth in 9M17, +22% in 3Q17**

  - Service Revenues grew to 736M€ (+19% yoy) in 9M17 and accounted for 78% of the Group's total revenues.
  - Other Revenues are comprised of equipment and wholesale sales with limited gross profit contribution (23M€ gross profit on 214M€ revenues) growing +5% yoy.

Table 3.1 – Revenues

(Million €)	9M16 [2]	9M17	Growth	3Q16 [2]	3Q17	Growth
Service Revenues	617	736	*19%*	214	262	*22%*
Other Revenues	203	214	*5%*	67	78	*16%*
Total Revenues	**820**	**949**	*16%*	**282**	**340**	*21%*
Net Revenues[1]	**635**	**758**	*19%*	**221**	**273**	*24%*

(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 758M€ in 9M17 (+19%) and 273M€ in 3Q17 (+24%).

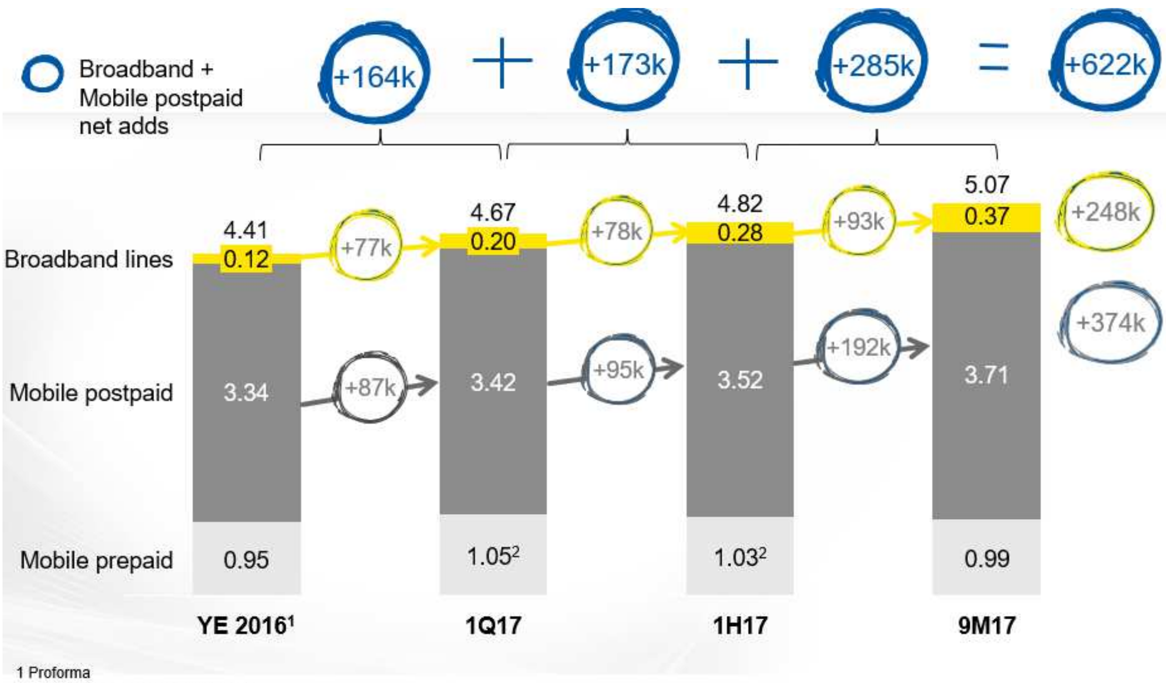
Table 3.2 – Customer base

Number of lines (million)	9M16 (1)	9M17	Growth
Mobile postpaid	3.25	3.71	*14%*
Mobile prepaid	1.01	0.99	*-2%*
Broadband	0.07	0.37	*429%*
Total lines	**4.33**	**5.07**	*17%*

(1) Proforma
Source: Company

- As of the end of 9M17, the Group had 5.07M lines, +17% vs 9M16.
- Mobile postpaid and broadband lines totaled 4.08M at the end of 9M17, +23% vs 9M16.
- Blended billed ARPU grew from 14.7€ per month in 3Q16 to 15.6€ per month in 3Q17.

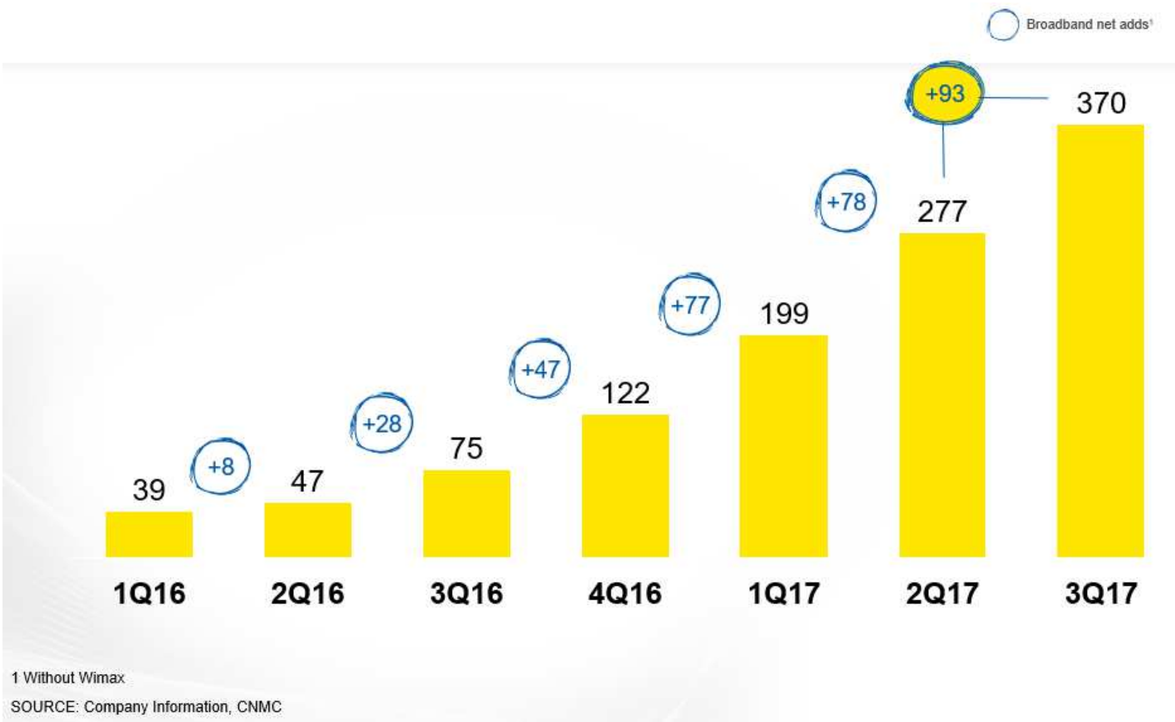
Chart 3.1 – Evolution of mobile postpaid and broadband lines



1 Proforma
2 Includes Llamaya (ethnic MVNO)
SOURCE: Company Information, CNMC

- **Mobile business: +14% growth in post-paid lines**
    - As of the end of 9M17 the Group had 3.71M post-paid clients, an increase of 14% vs 9M16 (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 1Q17, the Group attracted 248k new broadband lines in the first nine months of the year, resulting in a total of 370k broadband lines at the end of 9M17.
    - The performance of Broadband net adds accelerated during the third quarter with 93k new adds vs. 77k and 78k for 1Q17 and 2Q17 respectively thanks to the success of the Company's "back to school" campaign.

Chart 3.2 – Broadband accesses evolution proforma (thousands)



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- FTTH Network: MASMOVIL grew its FTTH footprint to 9.0 million building units (BUs) as of 9M17
    - This represents a growth of c.10 times compared to 4Q16
    - As of the end of 9M17 MASMOVIL's fixed network reached 18.0 million BUs with broadband, of which 9.0 million based on fiber technology. Of the 9.0 million, 1.5 million building units are own development (including the mutualized BU's) and the remaining 7.5 million relate to the bitstream agreement with Orange
    - The number of BUs which can be served by fiber is expected to grow to c. 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 3.3 – FTTH footprint (Million BUs)

1 Proforma
SOURCE: Company Information

4. Analysis of the Consolidated Profit and Loss Account

Table 4.1 – Summarized P&L

(Million €)	9M16 (1)	9M17	Growth	3Q16 (1)	3Q17	Growth
Revenue	**819.7**	**949.2**	**16%**	**281.5**	**340.0**	**21%**
Other operating revenue	4.0	22.1	n.a.	0.7	7.6	n.a.
Cost of sales	(649.1)	(714.7)	10%	(218.8)	(252.8)	16%
Other operating expenses	(84.4)	(88.2)	5%	(29.0)	(30.8)	6%
Recurrent EBITDA[1]	**90.2**	**168.4**	**87%**	**34.4**	**64.1**	**86%**
One Offs	(4.1)	(21.8)	n.a.	(4.1)	(6.1)	n.a.
SAR	-	(2.4)	n.a.	-	(1.1)	n.a.
Reported EBITDA	86.1	144.2	67%	30.3	56.9	88%
Depreciation and amortization	(67.0)	(90.5)	35%	(21.8)	(31.8)	46%
Reported EBIT	19.1	53.8	181%	8.5	25.1	195%
Net financial expenses[3]	(13.3)	(187.8)	n.a.	(5.6)	(15.6)	n.a.
Reported Profit before taxes	5.8	(134.1)	n.a.	2.9	9.5	n.a.
Income tax	(6.0)	(14.0)	n.a.	(3.9)	(6.2)	n.a.
Reported Net Income/(Loss)	(0.2)	(148.1)	n.a.	(1.0)	3.3	n.a.
Sum of the "Adjustments"	3.2	193.2	n.a.			
Adjusted Net Income/(Loss)[2]	**2.8**	**45.1**	**16x**			

(1) Proforma
(2) Please see detailed explanation below
(3) Including negative impact of141M€ of non-cash accounting charges for ACS convertible
Source: Company

- **Recurrent EBITDA of 64M€ in 3Q17 implies +86% growth vs 3Q16**
  - Reported EBITDA increased from 57M€ to 64M€ Recurrent EBITDA after adjusting it for the one-off costs
- **9M17 recurrent EBITDA of 168M€ implies +87% growth vs 9M16**
  - Reported EBITDA of 144M€ increases to 168M€ Recurrent EBITDA after adjusting for the one-off costs detailed below
- **One-off costs in 9M17**
  - The Group has incurred 6M€ of one-off costs in 3Q17 (22M€ in 9M17) related to the integration of Yoigo and Pepephone
  - MASMOVIL expects a total of 31M€ 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 9M17 the corresponding provision for the Stock Appreciation Rights allocated to a management group for an amount of 2M€

- **Adjusted net income reached 45M€ for 9M17, 16x the one for 9M16**

  Positive net income of 45M€ after adjusting for one-offs and other non-business related accounting charges:

  - The negative impact of the accounting of the ACS convertible (reverted in 3Q17 as detailed later in this report) amounted to 141M€, most of them already accounted for in 1H17.
  - One offs reached 22M€ in the first nine months of 2017
  - The amortization of acquired customer base & brand totaled 16M€
  - 2M€ 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 27M€
  - Finally, tax impact of the adjustments amounted to -15M€

  Adjusted EPS for the first half of the year reached 1.36€, on a fully diluted basis, considering 33.1million 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)	9M17
Reported Net Income/(Loss)	**(148.1)**
Accounting impact of ACS convertible	140.6
Reported Net Income excl. ACS convert	**(7.5)**
One-offs	21.8
Amortization of acquired customer base & brand	15.9
Management incentive plans (SAR)	2.4
Interest on Providence and ACS convertibles	27.3
Tax impact of "Adjustments"	(14.8)
Adjusted Net Income/(Loss) fully diluted	**45.1**
Fully diluted number of shares (million)	33.1
Adjusted EPS (fully diluted) (€)	**1.36**

- **Agreement with ACS regarding ACS convertible**

  The 9M17 income statement includes a non-cash charge of 141M€ linked to the ACS convertible. This convertible was considered to be a hybrid instrument under IFRS rules and accordingly any increase in the market value of the shares underlying the convertible was charged to earnings. This accounting treatment under IFRS rules was different to that applied for the Providence convertible, which is not considered to be a hybrid instrument.

  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 with CNMV approval, there has been no further non- cash financial charges and the Company has re-classified as shareholders equity in the 3Q17 accounts a total of 150M€, thereby increasing book equity and reducing financial debt.

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5. Analysis of the Consolidated Balance Sheet

Table 5.1 – Consolidated Balance Sheet

(Million €)	*Reported 2016*	*Reported Q3 2017*	*Variance Q3'17 - 2016*
Non current assets	**1,425.5**	**1,485.7**	**60.2**
Intangible assets	737.3	792.2	55.0
Property, plant and equipment	403.9	418.1	14.2
Other non current assets	48.5	47.6	(0.9)
Deferred tax assets	235.8	227.7	(8.1)
Current assets	**437.3**	**427.8**	**(9.5)**
Inventories	1.6	1.0	(0.6)
Trade and other receivables	191.6	189.5	(2.2)
Other current assets	8.0	21.0	13.0
Cash and cash equivalents	236.1	216.3	(19.7)
Total assets	**1,862.8**	**1,913.5**	**50.7**

(Million €)	*Reported 2016*	*Reported Q3 2017*	*Variance Q3'17 - 2016*
Equity	**255.6**	**256.3**	**0.7**
Share capital	2.0	2.0	(0.0)
Additional paid in capital	246.7	246.7	(0.0)
Reserves and other equity instrumer	7.0	7.6	0.7
Non-current liabilities	**931.6**	**1,094.2**	**162.6**
Long term debt	502.0	462.2	(39.7)
Other financial non-current liabilities	182.0	381.4	199.4
Provisions	101.2	85.2	(16.0)
Other non-financial non-current liabili	87.1	109.1	22.0
Deferred tax liabilities	59.4	56.3	(3.1)
Current liabilities	**675.6**	**563.0**	**(112.6)**
Current portion of long term debt	116.4	46.9	(69.5)
Other financial current liabilities	136.2	49.1	(87.1)
Provisions	39.2	22.4	(16.9)
Trade and other payables	383.8	444.7	60.9
Other non-financial current liabilities	0	0	0
Total equity and liabilities	**1,862.8**	**1,913.5**	**50.7**

Source: Company

- **Net debt of 380M€ (excluding convertibles), all debt covenants met**

  The Group´s net debt excluding the outstanding convertibles was 380M€ and 631M€ including convertibles as of the end of 9M17. 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 9M17

(Million €)	FY16	1Q17	1H17	9M17	9M17-1H17
Short term commercial paper	30	30	30	25	-5
Senior debt	347	348	341	342	1
Bonds	57	97	98	96	-2
Junior debt	96	100	101	102	1
Providence convertible	102	105	108	111	3
ACS convertible	144	180	289	140	-149
Other debts	41	37	26	31	5
Cash & Equivalents	(236)	(218)	(203)	(216)	(13)
Net debt as per Company	**582**	**679**	**790**	**631**	**-159**
Providence convertible	(102)	(105)	(108)	(111)	(3)
ACS convertible	(144)	(180)	(289)	(140)	149
ND per Company excl. Converts	**336**	**394**	**393**	**380**	**-13**
Leverage (x Recurrent EBITDA)[1]	2.8	2.2	1.9	1.6	

1 Leverage calculated as Net debt excluding convertibles divided by annualized Recurrent EBITDA (1Q17x4 for 1Q17 or 180M€, 1H17x2 for 1H17 or 208M€, and for 9M17 the 2017 updated Recurrent EBITDA or 235M€)
Source: Company

- **Regarding the financial leverage of the Group, it is relevant to note that:**
  - The company plans to complete the refinancing of the senior facility before the end of the year. This refinancing process, the amount of which has been underwritten by three domestic and international banks, is targeting:
    - To increase the financial flexibility to the Group for potential investments in its fixed and mobile infrastructure by incorporating a new tranche of up to 150M€.
    - To extend the average life of the debt under the SFA by approximately 12 months
    - To reduce the financing costs and increase the flexibility under certain provisions in the senior facility documentation
  - Additionally, a tender offer of MASMOVIL Broadband, S.A. projects bonds might be launched before year end if certain conditions are met (see “Relevant issues following the end of the period”).
  - No major repayments of financial debts scheduled for 4Q17.
  - The Group complies with the covenants of the different financial instruments issued, which are market standards.
- **Leverage ratio** decreased to 1.6x based on 380M€ of net debt (as calculated by the Company excl. Convertibles) and 235M€ considering updated Recurrent EBITDA guidance.

6. Analysis of Cash Flow

Table 6.1 – Cash Flow from Operations

(Million €)	9M17
Recurrent EBITDA	168
Adjustments Non-cash	3
Working capital variation	29
Financial expenses cash out	(24)
Recurrent CF from operations before Capex	**177**
Net Capex	**(101)**
Recurrent CF from operations	**76**

Source: Company

- **Recurrent Cash Flow from Operations**
  - On a recurrent basis, the Group generated in 9M17 a total of 177M€ of Cash Flow from Operations (after interest payments, but before CAPEX).
  - In 9M17, Net Capex of 101M€ was invested (after taking into account the sale of IRU's on the Company's network) to further strengthen our competitive position in the broadband market, resulting in 76M€ 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, and IT is estimated at around 50M€ on the long run.
- **Capex split**
  - Capex related to network buildout (both fixed and mobile) during the first nine months of 2017 amounted to 42M€, after taking in to account the sale of IRU's on the Company's own network.
  - At the end of September 2017, the total fixed footprint reached 9.0 million building units.
  - Customer related capex represented 58M€.
  - IT and maintenance capex totaled 9M€ during the period.
  - Finally, 7M€ of customer and network equipment have been sold during 9M17

Table 6.2 – Capex split (after taking into account the sale of IRU's)

(Million €)	9M17
Customer capex	58
Fixed network buildout	33
Mobile network buildout	9
IT	4
Maintenance & other	5
Total capex	**108**
Sale of Assets	-7
Net Capex	**101**

Source: Company

7. Relevant issues following the closing of the period

On October 20th MASMOVIL called the Assembly of the Bonds. The Assembly will take place at Avenida de la Vega, nº 15, Alcobendas (Madrid), Spain, next November 6th, 2017 at 12:00 in first calling and in the same place on November 7th, 2017 at 12:00 on second calling.

The Agenda of the Assembly includes the modification of certain terms and conditions of the Bonds aimed to align them to the terms and conditions and guarantees that MASMOVIL Group will agree in the ongoing refinancing of the senior loan of 386M€ subscribed last October 2016 and that was later syndicated by a pool of financial entities (the “SFA”).

The refinancing process, the amount of which has been underwritten by a pool of three domestic and international entities is designed to reach the following targets:

- To provide greater financial flexibility to the MASMOVIL Group for its fixed and mobile infrastructure development programs, incorporating a new tranche for the senior financing for an amount of up to 150M€.
- To extend the average life of the debt under the SFA in approximately 12 months
- To reduce the financing costs under the SFA
- To provide flexibility to some information and covenant obligations currently in place under the SFA
- To incorporate to the banking perimeter the financial commitments assumed by MMBB, commitments that currently do not have recourse to the Group parent company amongst them, the Bonds

The effectiveness of all the decisions approved by the Assembly is subject is subject to the suspensive condition that all the documents related to the modification of the SFA (in case that were more efficient for the syndication of the senior bank financing), or the completion of a new SFA be subscribed and notarized.

Finally, MASMOVIL BROADBAND has acquired an irrevocable commitment to launch, with the financial support from the Group, a tender offer to all the bondholders that could be interested in tendering, once the modification of the terms and conditions of the Bonds are in place, in case they are approved by the Assembly, and the suspensive condition mentioned in the paragraph above is fulfilled. The tender offer will take place at a clean (excluding the accumulated coupon) of 113.75% of the nominal value of the Bonds.