COMMUNICATION OF A RELEVANT FACT

MASMOVIL GROUP

14th May 2018

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 2018

In Madrid on 14th May 2018

Meinrad Spenger
CEO
MASMOVIL IBERCOM, S.A.

Earnings Report 1Q 2018

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

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1. Key Highlights

- **MASMOVIL continues its strong growth performance**
    - Top line growth significantly above double digit FY18 guidance; Service Revenues up +16% yoy (+23% organic growth)
    - Record quarter in terms of client growth: net adds in FMC and postpaid mobile lines continue to accelerate: +400k combined mobile post-paid (+257k) and broadband lines (+143k) in 1Q18

- **Increased profitability driven by subscriber and ARPU growth**
    - Recurrent EBITDA of 75M€ (+65% yoy, +57% yoy organic growth) and improvement of EBITDA margin from 15% to 22%
    - Net Income positive at 8M€ with Adjusted Net Income of 27M€ as accounting impact of ACS note no longer an issue

- **Achieved operational milestones during the period support positive outlook**
    - Signed comprehensive agreement with Orange further support MASMOVIL's growth and rollout of its FTTH and mobile network
    - Signed Ericsson agreement for efficient mobile network extension and upgrade
    - Increased own FTTH footprint from 2.1 M Business Units ("BU´s") to 3.7 M BU´s and overall FTTH coverage to ca. 11 M BU's
    - Implemented Yoigo rebranding well perceived by customers, supported by Spain's first unlimited mobile data tariff (SinFin Infinita)
    - Increased ARPUs through adjustment of entry tariffs and elimination of all promotional discounts, except incentives for premium technology
    - Continued leadership in client satisfaction (NPS) supported through expansion of digital suite of services (e.g. Yoigo e-care)

- **MASMOVIL reiterates its FY18 guidance**

2. 1Q18 Review

- 1Q18 Financial Highlights:
  - In 1Q18, the company delivered Service Revenues of 265M€ (+16% yoy). Total Revenues grew to 338M€ (+14% yoy)
  - Recurrent EBITDA for the quarter reached 75M€ (+65% yoy) and EBITDA margin increased to 22%
  - Both Net Income (8M€) and Adjusted Net Income (27M€) were positive in the quarter

- Subscribers:
  - MASMOVIL added net 400k mobile postpaid and broadband lines in 1Q18, of which 143k were net broadband additions and 257k were mobile postpaid
  - Total lines reached almost 6M at the end of the quarter, +27% vs 1Q17

Table 2.1 – Key figures

	Units	2017	1Q17	1Q18	Reported Growth	Organic Growth[4]
Mobile postpaid	(M)	3.9	3.4	4.2	21%	21%
Mobile Prepaid	(M)	1.1	1.1	1.1	8%	8%
Broadband	(M)	0.5	0.2	0.6	225%	225%
Total number of lines	(M)	5.51	4.67	5.94	27%	27%
Total Revenues	(M€)	1301	297	338	14%	19%
Total Service Revenues	(M€)	1007	228	265	16%	23%
Recurrent EBITDA [1]	(M€)	238	45	75	65%	57%
Margin	(%)	18.3%	15.3%	22.2%		
Adjusted Net Income	(M€)	97	(3)	27	n.m.	n.m.
Adjusted EPS (fully diluted)	(€)	2.9	n.m.	0.8		
Net Debt excluding covertible debt	(M€)	265	394	356	-10%	-10%
Leverage [3]		1.1x	2.2x	1.2x		
Shares Outstanding	(M)	20	20.0	20.0		
Fully Diluted Shares Outstanding [2]	(M)	33.4	33.0	33.5		

(1) Recurrent EBITDA excludes, one-off expenses and stock appreciation rights (long term management incentive plan); on pre-IFRS15 basis 1Q 2018 EBITDA reached 71M€ (+57% yoy), with 20% margin
(2) Calculated based on number of shares outstanding plus conversion of outstanding convertibles and ESOP
(3) Leverage calculated as Net debt excluding convertibles divided by annualized Recurrent EBITDA (1Q18x4 for 1Q18 or 300M€
(4) Organic growth compares 1Q17 with 1Q18 on pre-IFRS15 basis. On pre-IFRS15 basis, Services Revenues reached 280M€ (+23% yoy) with Total Revenues of 352M€ (+19% yoy).

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3. 2018 guidance reiterated

- **After the strong performance in 1Q18, MASMOVIL reiterates its guidance for 2018:**
    - >800k total combined net increase in fixed broadband and mobile post-paid lines.
    - >10% yoy growth of Service Revenues.
    - 300M€ of Recurrent EBITDA.
    - c.305M€ of Net Capex infrastructure investment, specially related to current plan of FTTH network deployment, maintenance capex and capex devoted to strategic projects.

- The Company's confidence in achieving its 2018 guidance is also supported by the new agreements with Orange (Relevant Fact filed with CNMV on 27th February) and Ericsson:
    - Expanding the existing joint FTTH agreement by a minimum of 2 million incremental Business Units ("BU´s") which will allow cost efficient extension of MASMOVIL´s own FTTH footprint by 3 times from current 2.1 million to 6.5 million BU´s over the next 2 years.
    - Modifications and improvements to the existing wholesale bitstream contract for the usage of Orange´s FTTH network covering more than 8 million BU's.
    - Revision of the terms of the current Site Sharing Agreement including access to approximately 5,600 incremental mobile sites, giving MASMOVIL the option to cost effectively double the size of its own mobile network. Thanks to the recently signed agreement with Ericsson, better economics for network extension and update.
    - Improvement of terms of the existing National Roaming Agreement, which has been extended.
    - Amendments to the current national Data Transmission Agreement with improved unitary pricing, and reasonable minimum commitments.

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4. Operational and Financial Review

- **Significant yoy Service Revenue growth in 1Q18**
    - Service Revenues growth of +16% to 265 M€ in 1Q18 corresponding to a +23% organic growth without considering accounting changes.
    - Under IFRS 15, handset subsidies and certain other discounts are reclassified as contra-revenue items rather than operating expenses. This reduced Q1 2018 revenues by 17M€ when compared to pre IFRS15 implementation.

Table 4.1 – Revenue split

(Million €)	1Q17	1Q18	Reported Growth	Organic Growth[2]
Service Revenues	228.4	265.2	*16%*	*23%*
Other Revenues	68.5	72.7	*6%*	*5%*
Total Revenues	**296.9**	**337.9**	***14%***	***19%***
Net Revenues[1]	**234.6**	**272.1**	***16%***	***22%***

(1) Net Revenues calculated as Service Revenues plus gross profit contribution from wholesale and equipment revenues.
(2) Organic growth compares 1Q17 with 1Q18 on pre-IFRS15 basis.
Source: Company

- **Record in client growth**

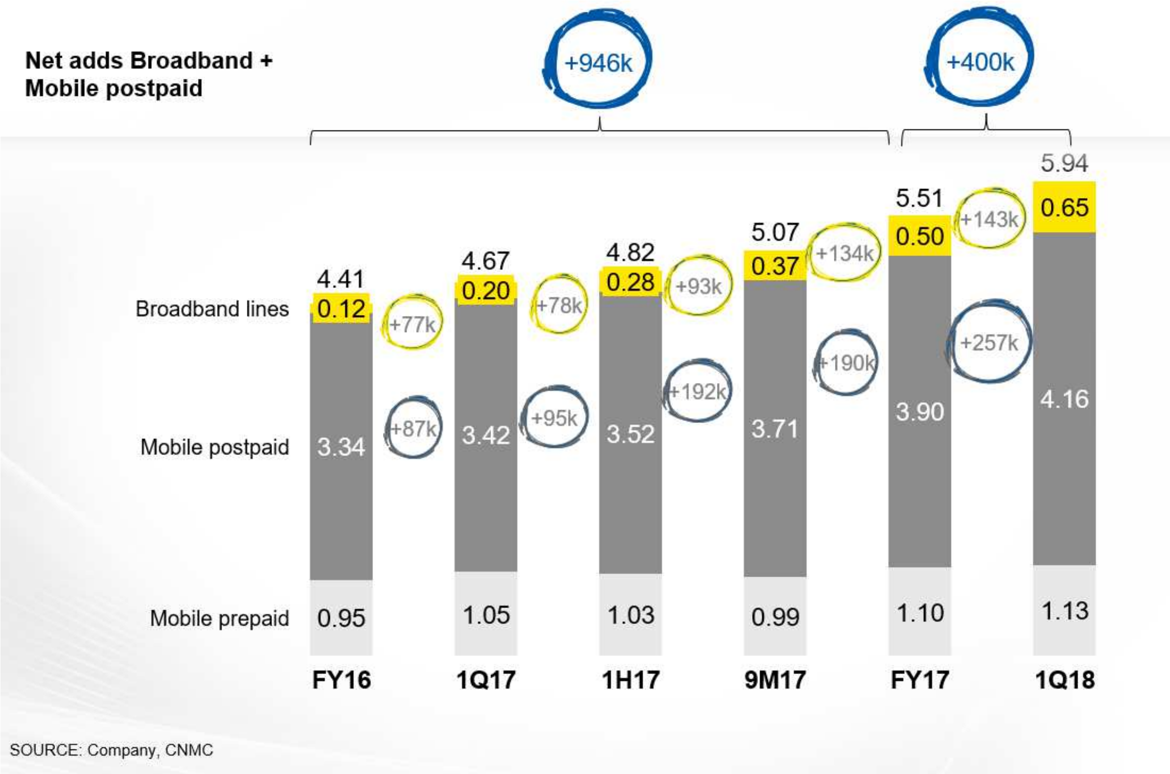
Table 4.2 – Customer base

Number of lines (million)	1Q17	1Q18	Dif	Growth
Mobile postpaid	3.42	4.16	0.74	*21%*
Mobile prepaid	1.05	1.13	0.08	*8%*
Total Mobile Only	**4.47**	**5.29**	**0.82**	***18%***
Broadband	0.20	0.65	0.45	*225%*
Total lines	**4.67**	**5.94**	**1.26**	***27%***

Source: Company

- At the end of 1Q18, the Group had 5.94M total lines (+27% vs 1Q17).
- 400k mobile post-paid and broadband net adds at record levels.
- 4.1M mobile post-paid and 0.65M broadband lines totaled in 4.8M lines at the end of 1Q18 (+33% vs 1Q17).
- Multi-brand strategy continues to be a success. Cross-selling of broadband to existing mobile subscriber base remains on track.

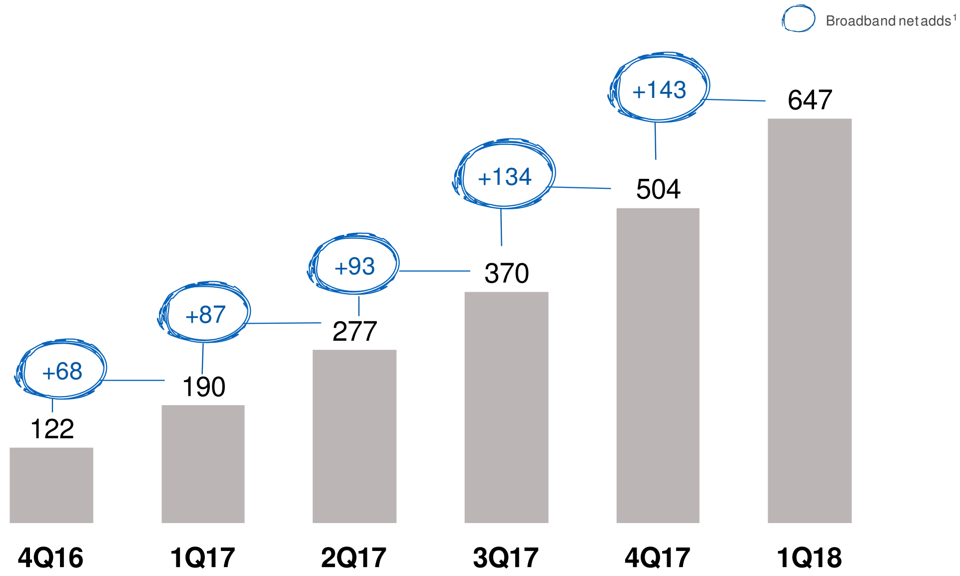
Chart 4.1 – Quarterly evolution of mobile postpaid and broadband lines



- **Mobile business: +21% yoy growth in post-paid lines**
  - As of the end of 1Q18 the Group had 4.2M post-paid clients, an increase of 257k lines or 7% vs 4Q17.
  - The use of the different brands of the Group (MASMOVIL, Yoigo, Pepephone and Llamaya) allows the Company to continue targeting different market segments efficiently.

- **Broadband momentum continues to accelerate**
  - The Group attracted 143k new broadband lines during the first quarter 2018, resulting in a total of 647k broadband lines at the end of 1Q18.
  - Broadband net adds continued accelerating during 2018. Another record quarter with 143k net adds in 1Q18 after +134k net adds in 4Q17.
  - According to data officially reported by the regulator (CNMC) the Group has grabbed around two thirds of the broadband net adds in the market during the last reported month (January 2018).

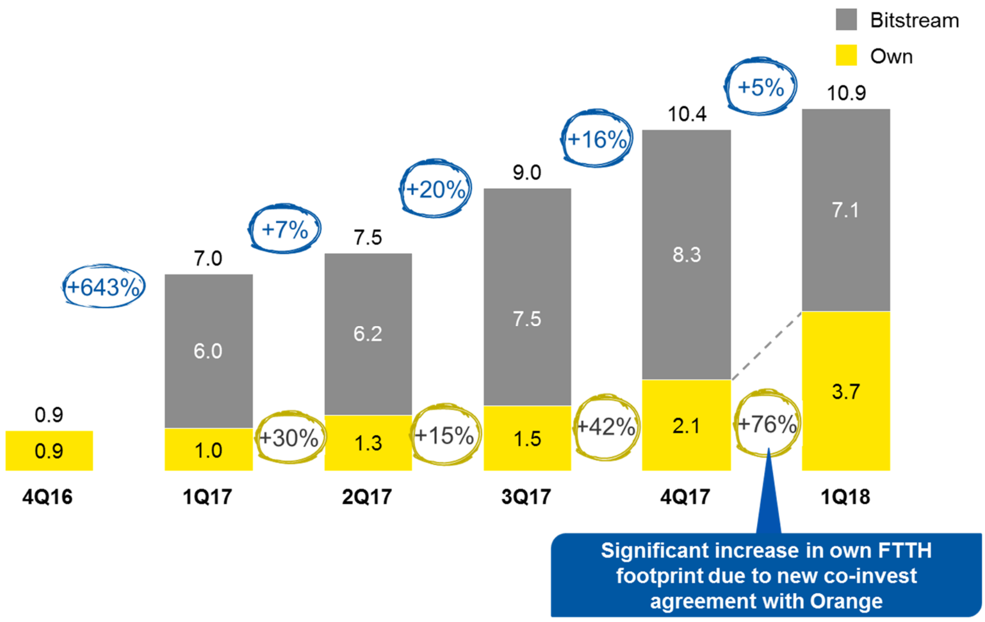
Chart 4.2 – Broadband accesses evolution (thousands)



1 Without WiMAX
SOURCE: Company, CNMC

- FTTH Network: MASMOVIL grew its FTTH footprint to 10.9 million BU's as of 1Q18.
  - The new co-invest agreement signed with Orange at the beginning of the year, has allowed MASMOVIL to significantly expand its own FTTH footprint to 3.7 million BU's, by accelerating the mutualization of BU's.
  - An additional 7.1 million BU's are accessible through the bitstream agreement with third parties (mainly Orange).

Table 4.4 – FTTH footprint (Million BU's)



SOURCE: Company

5. Analysis of the Consolidated Profit and Loss Account

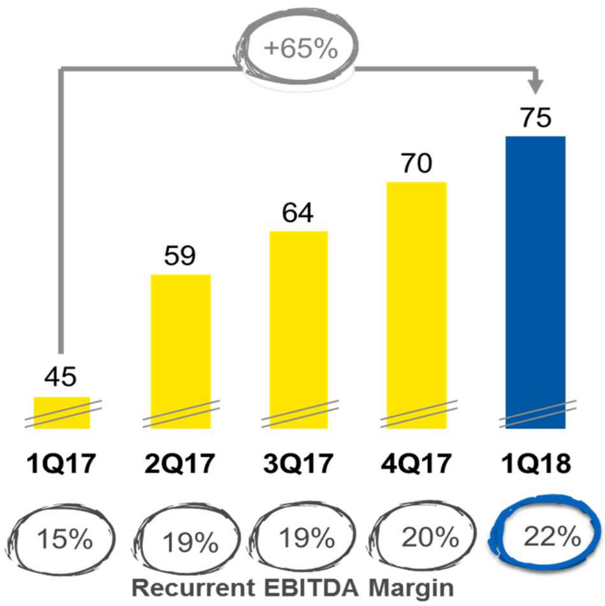
Table 5.1 – Summarized P&L

(Million €)	1Q17	1Q18[1]	Growth
Service Revenues	228.4	265.2	16%
Other revenues	68.5	72.7	6%
Revenue	**296.9**	**337.9**	**14%**
Other operating revenue	7.6	14.2	87%
Cost of sales	(231.1)	(243.9)	6%
Other operating expenses	(28.0)	(33.1)	18%
Recurrent EBITDA	**45.4**	**75.0**	**65%**
Net one Offs	(5.0)	(5.3)	*8%*
Reported EBITDA	40.4	69.7	*72%*
Depreciation and amortization	(28.4)	(35.1)	23%
Reported EBIT	12.0	34.6	*189%*
Net financial expenses	(49.5)	(19.2)	*n.m*
Reported Profit before taxes	(37.5)	15.4	*n.m*
Income tax	(4.3)	(7.3)	*69%*
Reported Net Income/(Loss)	(41.8)	8.1	*n.m*
Sum of the "Adjustments"	39.0	19.0	-51%
Adjusted Net Income/(Loss)[2]	**(2.8)**	**27.2**	**n.m.**

(1) 1Q18 results post IFRS15
(2) Please see detailed explanation below in table 5.3.
Source: Company.

- **Recurrent EBITDA for the quarter reached 75M€, a +65% yoy increase vs 1Q17, EBITDA margin increased to 22%**

Table 5.2 – Quarterly Recurrent EBITDA performance



- **5M€ Net one-off costs in 1Q18**
  - These costs related to the migration of the different national roaming contracts, and one-off integration costs.
  - The Company expects to incur a total of 20M€ one off costs for the full year 2018.

- **Net Income for the quarter was positive at 8M€**
- **Adjusted net income reached 27M€ for 1Q18**

  Adjusted net income of 27.2M€ after adjusting for one-offs and other non-business-related accounting charges:
  - Net operative one offs reached 5M€ in 1Q18.
  - The amortization of acquired customer base & brand totaled 6M€.
  - 3M€ charges linked to the long-term incentive plan for management and the increase in MASMOVIL's share price in 1Q18
  - The interest on the Providence and the ACS convertible summed up to 11M€.
  - Finally, tax impact of the adjustments amounted to 6M€.

  Adjusted EPS for the period reached 0.81€, on a fully diluted basis, considering 33.5 million fully diluted shares (including the conversion of both Providence and ACS convertibles and the Group's ESOP plan under the equity method).

Table 5.3 – Adjusted Net Income and EPS

(Million €) (except EPS)	1Q18
Reported Net Income/(Loss)	**8.1**
Operative One-offs	5.3
Amortization of acquired customer base & brand	6.4
Management incentive plans (SAR)	2.9
Interest on Providence and ACS convertibles	10.7
Tax impact of "Adjustments"	(6.3)
Adjusted Net Income/(Loss) fully diluted	**27.2**
Fully diluted number of shares (million)	33.5
Adjusted EPS (fully diluted) (€)	**0.81**

6. Analysis of the Consolidated Balance Sheet

Table 6.1 – Consolidated Balance Sheet

(Million €)	Reported 2017	1Q18	Variance
Non current assets	**1,566.1**	**1,696.2**	**130.1**
Intangible assets	823.6	890.2	66.6
Property, plant and equipment	462.9	475.3	12.4
Other non current assets	35.3	92.2	57.0
Deferred tax assets	244.4	238.5	-5.9
Current assets	**527.2**	**638.4**	**111.2**
Inventories	0.4	0.3	-0.2
Trade and other receivables	200.4	192.1	-8.3
Other current assets	6.2	124.7	118.5
Cash and cash equivalents	320.1	321.3	1.2
Total assets	**2,093.4**	**2,334.7**	**241.3**

(Million €)	Reported 2017	1Q18	Variance
Equity	**303.1**	**384.9**	**81.9**
Share capital	2.0	2.0	0.0
Additional paid in capital	246.7	246.7	0.0
Reserves and other equity instruments	54.4	136.3	81.9
Non-current liabilities	**1,069.9**	**1,200.2**	**130.3**
Long term debt	534.4	655.9	121.5
Other financial non-current liabilities	298.3	306.1	7.8
Provisions	89.4	74.1	-15.4
Other non-financial non-current liabilities	119.0	118.9	-0.1
Deferred tax liabilities	28.9	45.3	16.4
Current liabilities	**720.4**	**749.5**	**29.1**
Current portion of long term debt	62.4	175.7	113.3
Other financial current liabilities	41.5	21.6	-19.9
Provisions	7.1	5.5	-1.6
Trande and other payables	609.4	546.6	-62.8
Other non-financial current liabilities	0.0	0.0	0.0
Total equity and liabilities	**2,093.4**	**2,334.7**	**241.3**

Source: Company

- **Net debt of 356M€ (excluding convertibles) equivalent to a leverage of 1.2x**

  The Group´s net debt excluding the outstanding convertibles was 356M€ and 617M€ including convertibles at the end of 1Q18.

  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 respectively, well below the current share price.

Table 6.2 – Financial net debt calculation 1Q18

(Million €)	FY16	FY17	1Q18	1Q18-FY17
Short term commercial paper	30	16	1	(15)
Senior debt	347	407	524	118
Bonds	57	33	28	(5)
Junior debt	96	106	107	1
Providence convertible	102	115	119	4
ACS convertible	144	139	142	3
Other debts	41	23	17	(6)
Cash & Equivalents	(236)	(320)	(321)	(1)
Net debt as per Company	**582**	**519**	**617**	**99**
Providence convertible	(102)	(115)	(119)	(4)
ACS convertible	(144)	(139)	(142)	(3)
ND per Company excl. Converts	**336**	**265**	**356**	**91**
Leverage (x Recurrent Ebitda)[1]	2.8	1.1	1.2	

(1) Leverage calculated as Net debt excluding convertibles divided by annualized Recurrent EBITDA (1Q18x4 for 1Q18 or 300M€)
Source: Company

- All the covenants of the different financial instruments were met comfortably.
- **Leverage Ratio** slightly increased to 1.2x at the end of 1Q18 (vs. 1.1x at the end of FY17).

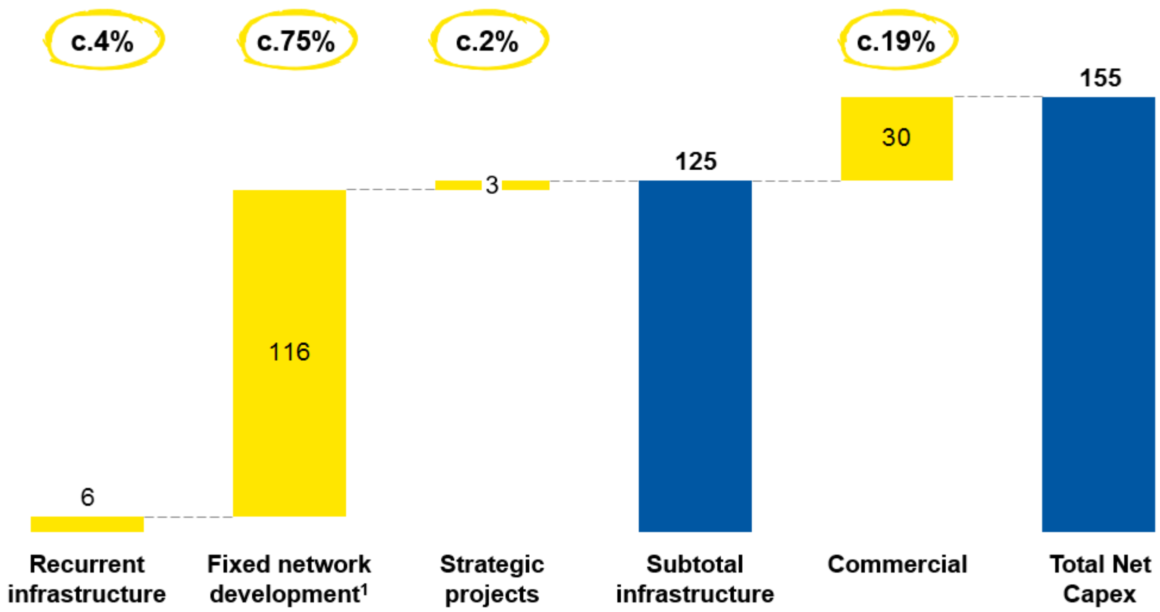
7. Analysis of Cash Flow

- **Net Capex: 155M€**
  - Fixed network development capex amounted to 116M€ in 1Q18, representing c.75% of the Total Net Capex over the period.

    The Company's FTTH own network increased from the 2.1M BU's reported at the end of 2017 to 3.7M BU's at the end of 1Q18, which implied a net investment of 116M€ (resulting in an average build-out cost of less than 73€ per BU), in line with Company's expectations.

    At the end of 1Q18, the total owned FTTH footprint reached 3.7M BU's, for a total FTTH footprint of 10.9 million building units, including the footprint from third party networks.
  - In addition to the above, Recurrent Infrastructure Capex totaled 6M€ during the period, and Capex dedicated to Strategic Projects was 3M€. The Company expects the Capex investment in these two areas to increase over the next quarters and be in line with the guidance for the full year of 95M€.
  - Customer related capex represented 30M€ in 1Q18 which is directly associated with the Company's broadband gross adds acquired during the quarter.

Table 7.1 – Capex split (after taking into account the sale of IRU's)

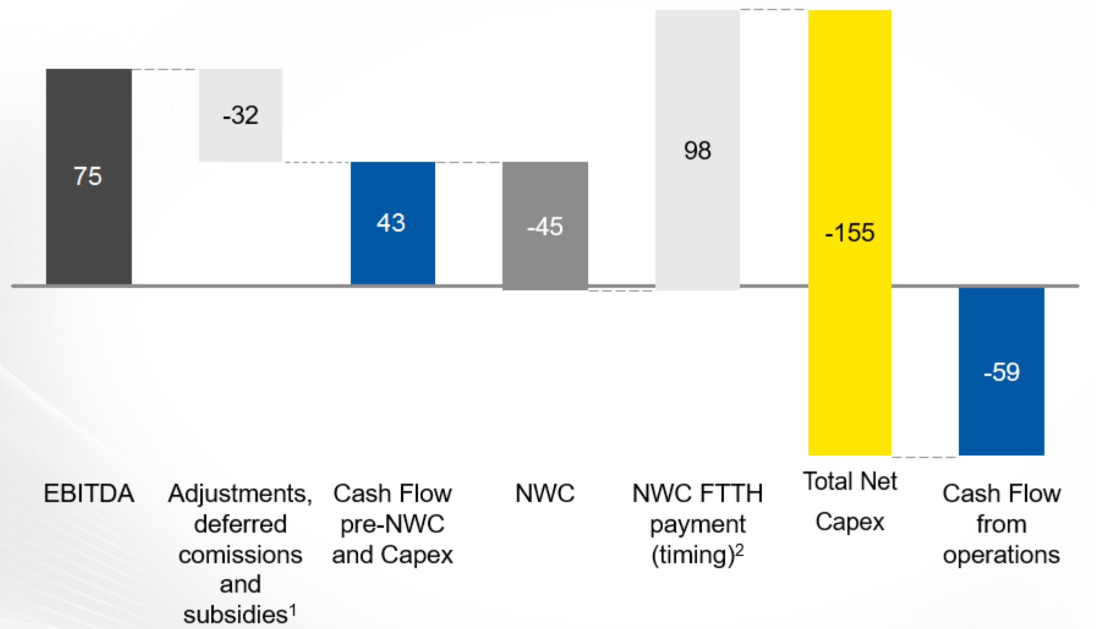


1 Net of the sale of IRUs. Related to increase of own FTTH network by 2.1 M BUs to a total of 3.7 M BUs

SOURCE: Company

- **Cash Flow from Operations: -59M€**
  - Cash Flow from Operations before Net Working Capital ("NWC") and Capex reached 43M€.
  - As anticipated in last earnings report, NWC variation related to operations resulted in an outflow of 45M€ during the quarter, as the positive NWC variations reported in 4Q17 reversed in the first part of 2018.
  - The Company invested 155M€ in Capex over the quarter, as detailed previously.
  - The Company had 98M€ of positive working capital variation due to the timing of payments related to the FTTH expansion program. As it was also anticipated in last earnings report, FTTH network expansion related investments made in 4Q17 were paid in 1Q18. However, some capex incurred in 1Q18 is still pending to be paid as of the end of the quarter. Such payments will occur over the next quarters.
  - After adjusting for Total Net Capex of 155M€ and its related timing effects, Cash Flow from Operations in 1Q18 was -59M€.

Table 7.2 – Cash Flow from Operations



(1) Includes mainly IFRS-driven non cash adjustments, taxes and interest.
(2) FTTH-related working capital inflow due to timing effects of payments

SOURCE: Company

8. IFRS15 Impact in 1Q18

The adoption of IFRS15 has resulted in a negative impact of -17M€ in the Group's Total Revenues for 1Q18, and a positive +4M€ impact on Recurrent EBITDA:

- Higher subsidies and discounts were incurred during 1Q18 versus the last 24 months average given positive commercial momentum, resulting in a reduction of reported revenues.
- Subsidies overweighed commissions during the quarter, while they were more balanced in previous quarters.
- Lower SAC/SRC under IFRS15 (as deferred expenses taken to P&L were lower than cash cost incurred) resulted in positive impact on EBITDA of +4M€.
- The Company expects this positive impact will revert in following quarters as subsidies are reduced and deferral expenses catch-up.
- The final impact for FY1 7will ultimately depend on the growth achieved by the Company for the full year 2018, the client mix, subsidy and discount levels and the volume of handset sales and could differ from MASMOVIL's initial estimates.

9. Relevant issues following the closing of the period

On May 4th, the Ordinary General Shareholders' Meeting of Masmovil Ibercom, S.A. approved all the points contained in the Agenda of the Meeting's call, mainly:

- The Consolidated Annual Accounts and the Consolidated Management Report for the Company and its subsidiaries for the financial year ending 31 December 2017.
- The re-election of KPMG Auditores, S.L. as the auditor for the 2018 financial year.
- The re-election of Meinrad Spenger as Director. The board of Directors has re-elected him on May 4th too as CEO of the Company for the statutory period of four (4) years.
- To allow the Board of Directors to implement a split of the number of shares into which the Company's share capital is divided in the proportion of 5 new shares for each old share. The resolution may be implemented by the Board at his sole secretion any time before next Ordinary General Assembly

10. Disclaimer

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

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.

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