Másmóvil Ibercom, S.A. y Sociedades Dependientes

Condensed Consolidated Interim Financial Statements

30 June 2019

Consolidated Interim Directors' Report

2019

(With Independent Auditor's Limited Review Report thereon)

(Free translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail)

KPMG Auditores, S.L.

Paseo de la Castellana, 259 C
28046, Madrid

Limited Review on the Condensed Consolidated Interim Financial Statements

(Translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail.)

To the Shareholders of Másmóvil Ibercom, S.A., at the request of the board of directors

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the "interim financial statements") of Másmóvil Ibercom, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the statement of financial position at 30 June 2019, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the explanatory notes for the six-month period then ended (all condensed and consolidated). Pursuant to article 12 of Royal Decree 1362/2007 the Directors of the Company are responsible for the preparation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying condensed consolidated interim financial statements.

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2019 have not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw your attention to the accompanying note 2.a, which states that these condensed consolidated interim financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying condensed consolidated interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2018. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim directors' report for the six-month period ended 30 June 2019 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the condensed consolidated interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim directors' report is not an integral part of the condensed consolidated interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the condensed consolidated interim financial statements for the six-month period ended 30 June 2019. Our work is limited to the verification of the consolidated interim directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Másmóvil Ibercom, S.A. and subsidiaries.

Paragraph on Other Matters

This report has been prepared at the request of the board of directors in relation to the publication of the six-monthly financial report required by article 119 of the Revised Securities Market Law, enacted by Royal Decree 1362/2007 of 19 October 2007.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Francisco Rabadán Molero
24 July 2019

MASMOVIL IBERCOM, S.A. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements
and Consolidated Interim Directors' Report

For the first six months of 2019

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Condensed Consolidated Statement of Financial Position at 30 June 2019, 31 December 2018 (*) and 1 January 2018 (*)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Thousand Euro	**NOTA**	**30/06/2019**	**31/12/2018**	**01/01/2018 (*)**
Assets				
Goodwill	5	476,250	476,250	389,380
Intangible assets	5	819,204	746,257	393,628
Property, plant and equipment	6	673,681	604,239	456,805
Rights of use	7	152,458	159,054	304,798
Contracts costs	8	70,213	65,724	41,776
Other investments		22,490	7,734	6,404
Prepayment for non-current assets	9	9,945	6,273	3,889
Deferred tax assets		244,094	250,960	248,681
Total non-current assets		**2,468,335**	**2,316,491**	**1,845,361**
Inventory		14,497	1,239	448
Trade and other receivables	10	255,519	237,674	198,441
Contracts costs	8	143,279	135,198	96,762
Current tax assets	10	24,583	71	1,995
Other investments		4,258	4,532	3,493
Prepayment for current-assets	9	32,002	3,816	2,751
Cash and cash equivalents		257,589	98,205	320,092
Total current assets		**731,727**	**480,735**	**623,982**
Total assets		**3,200,062**	**2,797,226**	**2,469,343**
Equity				
Capital	11	2,634	2,404	1,995
Share premium	11	836,039	616,269	246,652
Retained earnings and other reserves	11	(956,153)	(221,760)	(97,432)
Treasury shares	11	(1,549)	(2,020)	(7,973)
Other equity Instruments	11	-	66,253	228,086
Translation differences		100	62	199
Total equity		**(118,929)**	**461,208**	**371,527**
Liabilities				
Loans and borrowings	12	1,208,897	738,591	510,259
Derivative financial instruments	12	636	589	3,123
Other payables	12	5,788	8,094	4,296
Lease liabilities	12	136,215	141,742	254,432
Other financial liabilities	12	46,097	177,510	298,260
Provisions	13	102,139	105,155	82,568
Government grants		19,766	10,865	11,791
Deferred tax liabilities		66,813	71,690	55,981
Other non-current liabilities	16	151,976	133,729	107,169
Total non-current liabilities		**1,738,327**	**1,387,965**	**1,327,879**
Loans and borrowings	12	19,650	80,262	24,055
Current income tax liabilities		10,063	2,334	-
Other payables	12	128,575	233,400	31,952
Lease liabilities	12	33,383	34,162	59,592
Other financial liabilities	12	608,463	12,759	41,517
Payables of special nature	21	95,445	-	-
Trade and other payables	14	672,197	553,579	609,392
Provisions	13	12,888	31,557	3,429
Total current liabilities		**1,580,664**	**948,053**	**769,937**
Total liabilities		**3,318,991**	**2,336,018**	**2,097,816**
Total equity and liabilities		**3,200,062**	**2,797,226**	**2,469,343**

(*) *Restated balances. Certain amounts included in the Consolidated Statement of Financial Position at 31 December 2018 do not agree with those included in the consolidated financial statements for the year ended 31 December 2018 and reflect the adjustments described in notes 3 and 4.*

The explanatory notes form an integral part of the Condensed Consolidated Interim Financial Statements for the six - month period ended 30 June 2019.

Condensed Consolidated Statement of Comprehensive Income for the six-month period ended 30 June 2019 and 30 June 2018 (*)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Thousand Euro	**NOTE**	**30/06/2019**	**30/06/2018**
Revenues	**18 a)**	791,913	676,453
Other operating income		41,077	24,448
Merchandise, Raw materials and consumables used	**18 b)**	(375,932)	(329,155)
Employee benefits expenses	**18 c)**	(29,781)	(22,684)
Depreciation and amortisation expenses	**5 ,6 & 7**	(123,191)	(95,403)
Other operating expenses	**18 d)**	(217,453)	(172,472)
Results from operating activities		**86,633**	**81,187**
Financial income		728	336
Financial expenses		(124,303)	(75,053)
Changes in fair value of financial instruments		(10,222)	120
Impairment and result from disposals of financial instruments		(107)	28,781
Net finance costs		**(133,904)**	**(45,816)**
Loss for the year from continuing operations, before income tax		**(47,271)**	**35,371**
Income tax income	**17**	13,538	476
Loss for the period from continuing operations		**(33,733)**	**35,847**
Loss for the period		**(33,733)**	**35,847**
Profit/(loss) for the period attributable to			
Equity holders of the Parent		(33,733)	35,847
Profit/(Loss) for the period		**(33,733)**	**35,847**
Other comprehensive income			
Items to be reclassified to profit or loss			
Translation differences of financial statements of foreign operations		38	126
Other comprehensive income, net of taxes		**38**	**126**
Total comprehensive income for the period		**(33,695)**	**35,973**
Basic loss per share (expressed in euros)			
Gain/(Loss) for the period	**11**	(0.273)	0.357
Diluted loss per share (expressed in euros)			
Gain/(Loss) for the period	**11**	(0.199)	0.297

(*) *Restated balances. Certain amounts included in the Consolidated Statement of Financial Position at 31 December 2018 do not agree with those included in the consolidated financial statements for the year ended 31 December 2018 and reflect the adjustments described in notes 3 and 4.*

The explanatory notes form an integral part of the Condensed Consolidated Interim Financial Statements for the six - month period ended 30 June 2019.

Condensed Consolidated Statement of Changes in Equity for the six-month period ended 30 June 2019 and 30 June 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Thousand euro	Attributable to equity holders of the Parent							
	Capital	Share premium	Other reserves	Retained earnings	Own shares	Translation differences	Other equity instruments	Total
Balance at 1 of January 2018	**1,995**	**246,652**	**9,963**	**(102,759)**	**(7,973)**	**199**	**228,086**	**376,163**
Impact of adopting IFRS 16, net of taxes	**-**	**-**	**(4,636)**	**-**	**-**	**-**	**-**	**(4,636)**
Balance at 1 of January 2018 (*)	**1,995**	**246,652**	**5,327**	**(102,759)**	**(7,973)**	**199**	**228,086**	**371,527**
Profit/(Loss) for the year	-	-	-	35,847	-	-	-	35,847
Other comprehensive income	-	-	-	-	-	126	-	126
Total comprehensive income for the year	**-**	**-**	**-**	**35,847**	**-**	**126**	**-**	**35,973**
Capital increase (note 11)	49	9,977	-	-	-	-	-	10,026
Own shares (note 11)	-	-	300	-	5,531	-	-	5,831
Issue of share-based payments (notes 11)	-	-	-	-	-	-	(9,024)	(9,024)
Reserves	-	-	(102,759)	102,759	-	-	-	-
Other movements (note 11)	-	-	1,354	-	-	-	(827)	527
Balance at 30 of June 2018 (*)	**2,044**	**256,629**	**(95,778)**	**35,847**	**(2,442)**	**325**	**218,235**	**414,860**
Balance at 31 of December 2018	**2,404**	**616,269**	**(277,628)**	**70,543**	**(2,020)**	**62**	**66,253**	**475,883**
Impact of adopting IFRS 16, neto net of taxes	-	-	(14,675)	-	-	-	-	(14,675)
Balance at 1 of January 2019	**2,404**	**616,269**	**(292,303)**	**70,543**	**(2,020)**	**62**	**66,253**	**461,208**
Profit/(Loss) for the period	-	-	-	(33,733)	-	-	-	(33,733)
Other comprehensive income	-	-	-	-	-	38	-	38
Total comprehensive income for the year	**-**	**-**	**-**	**(33,733)**	**-**	**38**	**-**	**(33,695)**
Capital increase (note 11)	230	219,770	(98,543)	-	-	-	-	121,457
Application of results of the year	-	-	70,543	(70,543)	-	-	-	-
Own shares (note 11)	-	-	76	-	471	-	-	547
Issue of share-based payments (notes 11)	-	-	(601,144)	-	-	-	(66,253)	(667,397)
Other movements (note 11)	-	-	(1,049)	-	-	-	-	(1,049)
Balance at 30 of June 2019	**2,634**	**836,039**	**(922,420)**	**(33,733)**	**(1,549)**	**100**	**-**	**(118,929)**

(*) *Restated balances. Certain amounts included in the Consolidated Statement of Financial Position at 31 December 2018 do not agree with those included in the consolidated financial statements for the year ended 31 December 2018 and reflect the adjustments described in notes 3 and 4.*

The explanatory notes form an integral part of the Condensed Consolidated Interim Financial Statements for the six -month period ended 30 June 2019.

Condensed Consolidated Statement of Cash Flows for the six-month period ended 30 June 2019 and 30 June 2018 (*)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Thousand Euro	NOTE	30/06/2019	30/06/2018 (*)
Cash flow from operating activities			
Loss for the year from continuing operations		**(33,733)**	**35,847**
Adjustments for:			
Amortisation / depreciation	5; 6 & 7	123,191	95,403
Impairment losses from trade receivables	10	19,717	14,344
Change in provisions	13	(19,157)	2,436
Government grants taken to income		(897)	46
Contract costs capitalization and amortisation		(12,570)	68,874
Gain on sale of assets		1,663	-
Finance income		(728)	(336)
Finance costs		134,602	75,053
Other income and expenses		(11,825)	(28,901)
Income tax income	17	(13,538)	(476)
Changes in working capital			
- Inventories		-	232
- Trade and other receivables		(27,678)	(20,755)
- Other Assets		(62,118)	(169,316)
- Trade and other payables		97,059	6,729
- Provisions		(6,645)	(2,190)
Cash flow from operating activities		**187,343**	**76,990**
Interest paid		(16,116)	(34,625)
Corporate income tax collections		(4,880)	(2,092)
Net cash flow from operating activities		**166,347**	**40,273**
Cash flow from investing activities			
Proceeds from sale of financial assets		943	276
Acquisition of property, plant and equipment	6	(126,614)	(71,804)
Acquisition of intangible Assets	5	(152,806)	(190,101)
Acquisition of subsidiaries, net of cash and cash equivalents	4	(15,425)	(12,566)
Net cash flow from investing activities		**(293,902)**	**(274,195)**
Cash flow from financing activities			
Proceeds from issuance of share capital	11	220,342	9,047
Proceeds from bonds and other marketable securities	12	1,350,000	228,370
Proceeds from inancial institution debts		61,945	-
Proceeds from redemption of own shares	11	-	5,231
Payments from lease liabilities	12	(16,220)	(26,378)
Payments from financial institutions debts		(1,306,322)	(116,590)
Payment of other financial liabilities		(19,366)	(22,780)
Payments from redemption of own shares and other own equity instruments		(3,440)	-
Net cash flow from financing activities		**286,939**	**76,900**
Net decrease in cash and cash equivalents		159,384	(157,022)
Cash and cash equivalents at 1 January		98,205	320,092
Cash and cash equivalents at 30 June		**257,589**	**163,070**

(*) *Restated balances. Certain amounts included in the Consolidated Statement of Financial Position at 31 December 2018 do not agree with those included in the consolidated financial statements for the year ended 31 December 2018 and reflect the adjustments described in notes 3 and 4.*

The explanatory notes form an integral part of the Condensed Consolidated Interim Financial Statements for the six - month period ended 30 June 2019.

Condensed explanatory notes

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

1. Description of the Group

World Wide Web Ibercom, S.A. was incorporated with limited liability under Spanish law on 12 November 1997, for an indefinite period. On 1 July 2011, the Company became a corporation while retaining its name.

Masmovil Ibercom, S.A. (hereinafter the Company or Parent) has changed its denomination on 3 July 2014. The registered office is located at Parque Empresarial Zuatzu, Edificio Easo, 2ª planta, San Sebastian (Guipúzcoa).

These condensed consolidated interim financial statements for the six-month period ended 30 June 2019 (hereinafter the interim financial statements) include the Parent and its subsidiaries (hereinafter the Group). The most significant information regarding subsidiaries is set out in the accompanying Appendix I, which forms an integral part of this note.

The Group's activity is the provision of landline, mobile telephone and broadband, a market sector with a relatively stable cycle of activity throughout the year.

On 14 July 2017 all Masmovil Ibercom, S.A. shares were delisted from the Spanish Alternative Stock Exchange (MAB) – Growing Companies and simultaneously admitted to trading on the official Madrid, Barcelona, Bilbao and Valencia stock exchanges, and included on the Stock Exchange Interlinking System (electronic trading system) (SIBE).

On 13 June 2019 the Technical Advisory Committee of the IBEX 35 agreed to the Company's listing on the Spanish benchmark stock exchange, with effect from 24 June 2019.

During 2019 and 2018 the Group carried out several acquisitions (see note 4)

2. Basis of Presentation

The interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 on interim financial reporting, and article 12 of Royal Decree 1362/2007 of 19 October 2007 implementing Securities Market Law 24/1988 of 18 July 1988 in relation to transparency requirements for information on issuers whose securities are admitted to trading on an official secondary market or on another regulated market in the European Union, and Circular 3/2018, of 28 June, of the National Securities Market Commission on the regular reporting of issuers of securities admitted to trading on regulated markets relating to the six-month financial reporting, interim management statements and, if appropriate, the quarterly financial reporting.

As established by IAS 34, these interim financial statements are prepared solely for the purpose of providing an update on the latest consolidated annual accounts prepared by the Directors of the parent company, focusing on new activities, events and circumstances occurring during the period, and do not duplicate information published previously in the consolidated annual accounts for 2018. Consequently, the interim financial statements at 30 June 2019 do not include all the information that would be required for complete consolidated financial statements prepared under International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2018 in order for them to be interpreted correctly.

The consolidated annual accounts for 2018 were prepared by the directors of the parent company under International Financial Reporting Standards as adopted by the European Union (IFRS-EU).

The accounting policies used to prepare these interim financial statements are the same as those used to prepare the Group's consolidated IFRS-EU annual accounts for 2018, except for the adoption of new standards and certain amendments to existing standards (see section a) of this note and note 3).

The interim financial statements were authorised for issue by the board of directors of the parent company at the meeting held on 24 July 2019.

a) Comparative information

The comparative figures in the interim financial statements refer to the six-month period ended 30 June 2018, except for those in the condensed consolidated statement of financial position, which refer to 31 December 2018.

The Group has adopted IFRS 16 with retroactive effect at 1 January 2018 which entails the restatement of the consolidated statement of financial position at 31 December 2018 and 1 January 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six month period ended 30 June 2018, included in these condensed consolidated interim financial statements.

Also, as mentioned in note 4, the Group has determined the definitive fair values of the price for the acquisition of The Bymovil Spain, S.L.U. Therefore, in accordance with prevailing legislation, it has recognised the allocation starting on the acquisition date, 20 December 2018.

Changes in the consolidation scope in the six-month period ended 30 June 2019 are set out in note 4 to these Condensed Consolidated Interim Financial Statements and Appendix I.

b) Going-concern principle

The board of directors of the parent company has prepared these interim financial statements on a going concern basis on the understanding that the outlook for the Group's business will enable profit and positive cash flows to be obtained in the coming years.

At 30 June 2019 the Group presents on a one-off and extraordinary basis negative consolidated equity as a result of the agreement with PLT VII Holdco S.à.r.l. (Providence) to cancel the convertible bonds (note 12 b)), and the capital increase of Euros 100 million associated to the Payables of special nature (note 20). At 30 June 2019 Masmovil Ibercom S.A. presents positive shareholders' funds. Moreover none of the companies forming part of the Group fulfils any of the causes contained in article 363 of the Spanish Companies Act at that date.

The board of directors estimate that at the end of the 2019 financial year the consolidated equity will again be positive as a result of the recurring generation of operating profits and the sale of a fibre network by the Group, as explained in note 6. Additionally, the board of directors expect that payables of special nature will be cancelled against reserves (see note 20).

In addition, as of 30 June 2019, the Group presents a negative working capital of 848,937 thousand euros (467,318 thousand euros negative as of December 31, 2018), which is an exceptional circumstance as a result of the pending payment derived from the cancellation of Providence convertible bonds for an amount of 532,841 thousand euros (see note 12 b)). Additionally, the existence of a negative working capital is a habitual circumstance in the Groups's business and in its financial structure, and does not represent an impediment to the normal development of its operations.

In this respect, in the opinion of the parent company's directors, no circumstances are expected to arise in the short to medium term having a negative impact on the Group's current working capital structure due to the following:

- The Group's main line of activity is the provision of telecommunications services, which given its short collection period combined with a supplier payment period of 59,04 days, allows the Group to optimise the use of its resources while operating with negative working capital.

- At 30 June 2019, the Group has unused short and long-term financing facilities amounting to Euros 487,000 thousand (note 12 a)).

- During the second half of 2019 the Group is planning to sell a fibre network it owns (see note 6) and which will generate cash of approximately Euros 217,500 thousand. The Group has in turn entered into a new agreement enabling it to acquire, before the end of 2019, the right of use of 1 million DUs for 35 years for Euros 70 million (note 6). Therefore, as a result of both transactions, the Group expects to generate cash flows amounting to Euros 147 million. Additionally, at 30 June 2019, the Group has firm commitments to purchase property, plant and equipment totalling Euros 89,980 thousand.

- Additionally, the board of directors expect to cancel Payables of special nature against reserves and it is not expected to result in a cash outflow.

- Lastly, the new financing structure makes it possible to have additional borrowings of up to Euros 310,000 thousand.

c) Relevant accounting estimates, assumptions and judgements used when applying accounting policies

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting policies to prepare the interim financial statements in conformity with IFRS-EU.

The estimates, judgements and assumptions used to prepare the interim financial statements are the same as those used to prepare the consolidated annual accounts for 2018, except for the matters mentioned in section a) of this note and in note 3.

d) Amendments issued by the International Accounting Standards Board (IASB), pending EU approval

- IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associates or joint ventures": these amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures which will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet the definition for a business, the investor recognises the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to his associate or joint venture.

  These amendments to IFRS 10 and IAS 28 were originally prospective effective for years starting on or after 1 January 2016. However, at the end of 2015 the IASB took the decision to postpone their validity dates (without setting a specific new date) since it is planning a broader revision that may result in the simplification of the accounting for these transactions and other aspects of the accounting for associates and joint businesses.

- IFRS 3 (Amendment) "Definition of a Business": These amendments will assist entities to determine whether they have acquired a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods or services to customers whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors or others. In addition to modifying the wording of the definition, additional guidance has been provided. To be considered a business, an acquisition would have to include an input and process that together significantly contribute to the ability to create products. The new guidance provides a framework for evaluating when both elements are present (even for companies in an early stage that have not generated products). To be a business in the absence of the ability to generate outputs, it will now be necessary to have organised workforce.

  These amendments will apply to business combinations whose acquisition date is on or after the beginning of the first annual reporting period starting on or after 1 January 2020 and to asset acquisitions that occur from the start of that first year. Early application is permitted. The amendment to IFRS 3 is pending approval by the European Union.

- IAS 1 (Amendment) and IAS 8 (Amendment) "Definition of material" These amendments clarify the definition of material and introduce, in addition to the omission or misstatement of information that could influence the decisions of users, the concept of "obscure" information. Such amendments ensure that IFRS are more consistent but are not expected to have a significant impact on the preparation of these financial statements..

  These amendments will be applicable to the years beginning on or after 1 January 2020 although they are pending approval by the European Union.

Other standards, amendments and interpretations that the IASB and IFRS Interpretations Committee had published at the date of issue of these Interim Financial Statements but have not been adopted by the European Union and which are not applicable to the Group are as follows:

- IFRS 17 – "Insurance contracts".

e) Mandatory standards, amendments and interpretation for all years starting on 1 January 2019

Starting 1 January 2019 new accounting standards have come into effect which are applicable to these interim financial statements, meaning that certain accouting policies have had to be changed. These are as follows:

- IFRS 16 "Leases".

The impact of the adoption of IFRS 16 “Leases” and the new accounting policy on these Interim Financial Statements is detailed in note 3.

Similarly, the following standards, interpretations, amendments to standards and improvement came into effect as from 1 January 2019, without a significant impact on these Group Interim Financial Statements:

- Amendments to IFRS 9 “Prepayment features with negative compensation”: The terms of instruments with prepayment features with negative compensation where the lender could be required to accept a prepayment which is substantially lower than unpaid principal and interest, were incompatible with the notion of “reasonable additional compensation” for the early termination of a contract according to IFRS 9.

- IFRIC 23, “Uncertainty over income tax treatments”: The interpretation provides requirements in addition to those of IAS 12 “Income Taxes”, specifying how to reflect the effects of uncertainty on the recognition of income taxes. This interpretation clarifies how the recognition and measurement requirements of IAS 12 are applied when there is uncertainty in the accounting treatment.

- Annual IFRS Improvements. 2015 – 2017 Cycle: The amendments affect IFRS 3, IFRS 11, IAS 12 and IAS 23 and will apply to years commencing on or after 1 January 2019, all subject to being adopted by the European Union. The main amendments relate to:

    - IFRS 3 “Business combinations”: An interest previously held in a joint arrangement is remeasured when control of the business is obtained.
    - IFRS 11 "Joint arrangements": An interest previously held in a joint arrangement is not remeasured when control of the business is obtained.
    - IAS 12 "Income taxes": All tax repercussions of the payment of dividends are recognised in the same manner.
    - IAS 23 “Borrowing costs”: Any specific loan originally made to develop a qualifying asset is considered to be part of generic loans when the asset is ready for use or sale.

Other standards, amendments and interpretations that the IASB and IFRS Interpretations Committee had published at the date of issue of these Interim Financial Statements but which are not applicable to the Group are as follows:

- IAS 28 (Amendment) “Long-term interests in associates and joint ventures”.
- IAS 19 (Amendment) “Plan amendment, curtailment or settlement”.

3. Changes in accounting policies

Except for the matters explained below, the accounting policies applied to prepare these Interim Financial Statements are the same as those applied when preparing the Group’s consolidated annual accounts for 2018.

This note explains the impact of adopting IFRS 9 and IFRS 16 “*Leases*” affecting the Group’s interim financial statements and it also discloses the new accounting policies that have been applied since 1 January 2019, when different from those applied in prior years. The aforementioned changes in accounting policies are expected to be reflected in the Group’s consolidated annual accounts for the year ending 31 December 2019.

a) Impact on the Interim financial statements

Transition to new accounting standards adopted during the present period

IFRS 16 "Leases"

The new standard on leases that replaces IAS 17 was published in January 2016 and is effective for years beginning on or after 1 January 2019. As a result, most leases will be recognised on the consolidated statement of financial position by lessees as the distinction between operating and finance leases is eliminated. Under the new standard, and except for short- term or low-value leases, an asset (right of use of the leased asset) is recognised together with a financial liability for the present value of outstanding lease payments, assets with a finite use life being subject to impairment testing. The standard mainly affects the accounting treatment of the Group's operating leases that are reduced while amortisation of the right of use of those assets increases along with financial expenses.

When the Group has been subrogated to the position of lessee under a lease contract as a result of a business combination, the related liability will be measured at the present value of the outstanding payments on the lease at the combination date as if the contract taken on were a new lease at that date.

The Group has applied the standard as from 1 January 2019 on a retroactive basis and has restated the figures previously presented, as indicated in paragraph C5 a) of appendix C on transition and effective date.

The Group reviewed the different types of contracts it has for goods and services in order to determine which arrangements constitute or contain a lease under the new definition of a lease. In this respect, the Group has not applied the practical expedients contained in paragraph C3 of appendix C on transition and effective date which would possibly have permitted it not to re-assess whether its contracts contain or constitute leases.

With respect to the discount rate, the Group has employed a range of incremental interest rates suited to each type of contract asset and term.

The exemptions provided under IFRS 16 for short-term and low-value leases have been applied to non-strategic assets (low value IT assets, furniture, housing etc).

Note 7 details the information related to the movement in the rights of use on leases since 1 January 2018, taking into count the impacts deriving from the adoption of IFRS 16, detailed below:

Impact on comparative information

Set out below is the reconciliation of the figures included in the Group's Consolidated Statements of Financial Position and Consolidated Statements of Changes in Equity at 1 January 2018 and 31 December 2018 and the interim condensed statement of comprehensive income at 30 June 2018, with and without applying 16:

Impact on the consolidated statement of financial position at 1 January 2018 (transition date)

Thousand Euro	01/01/2018	IFRS 16	01/01/2018 Restated
Property, plant and equipment	462,903	(6,098)	456,805
Right of use	-	304,798	304,798
Deferred tax assets	247,136	1,545	248,681
Prepayment for non-current assets	28,876	(24,987)	3,889
Non-current assets - rest	831,188	-	831,188
Total non-current assets	**1,570,103**	**275,258**	**1,845,361**
Trade and other receivables	198,441	-	198,441
Current assets - rest	425,541	-	425,541
Total current assets	**623,982**	**-**	**623,982**
Total assets	**2,194,085**	**275,258**	**2,469,343**
Equity	**376,163**	**(4,636)**	**371,527**
Lease liabilities**	27,718	226,714	254,432
Non-current liabilities – rest	1,073,447	-	1,073,447
Total non-current liabilities	**1,101,165**	**226,714**	**1,327,879**
Lease liabilities	6,412	53,180	59,592
Current-liabilities - rest	710,345	-	710,345
Total current liabilities	**716,757**	**53,180**	**769,937**
Total equity and liabilities	**2,194,085**	**275,258**	**2,469,343**

(**) At 1 January 2018 they represented debts incurred under finance leases recognised under IAS 17. In accordance with IFRS 16, this item has been reclassified as Lease liabilities

Impact on the consolidated statements of financial position at 31 December 2018

Thousand Euro	31/12/2018 (*)	IFRS 16	31/12/2018 Restated
Property, plant and equipment	610,123	(5,884)	604,239
Right of use	-	159,054	159,054
Deferred tax assets	246,068	4,892	250,960
Prepayment for non-current assets	30,835	(24,562)	6,273
Non-current assets - rest	1,295,965	-	1,295,965
Total non-current assets	**2,182,991**	**133,500**	**2,316,491**
Trade and other receivables	237,674	-	237,674
Current assets - rest	243,061	-	243,061
Total current assets	**480,735**	**-**	**480,735**
Total assets	**2,663,726**	**133,500**	**2,797,226**
Equity	**475,883**	**(14,675)**	**461,208**
Lease liabilities**	21,720	120,022	141,742
Non-current liabilities – rest	1,246,223	-	1,246,223
Total non-current liabilities	**1,267,943**	**120,022**	**1,387,965**
Lease liabilities	6,009	28,153	34,162
Current-liabilities - rest	913,891	-	913,891
Total current liabilities	**919,900**	**28.153**	**948,053**
Total equity and liabilities	**2,663,726**	**133.500**	**2,797,226**

(*) The balances at 31 December 2018 present the restatement resulting from the allocation of the provisional purchase price of the company The Bymovil Spain, S.L.U., as detailed in notes 2 a) and 4 c) to these Interim Financial Statements.

(**) At 31 December 2018 they represented debts incurred under finance leases recognised under IAS 17. In accordance with IFRS 16, this item has been reclassified as "Lease liabilities".

Impact on the Consolidated Statement of Comprehensive Income for the six month period ended 30 June 2018

Thousand Euro	30/06/2018	IFRS 16	30/06/2018 Restated
Revenues	700,901	-	700,901
Depreciation and amortisation expenses	(73,300)	(22,103)	(95,403)
Operating expenses - rest	(553,341)	29,030	(524,311)
Results from operating activities	**74,260**	**6,927**	**81,187**
Financial income	29,237	-	29,237
Financial expenses	(64,886)	(10,167)	(75,053)
Net finance costs	**(35,649)**	**(10,167)**	**(45,816)**
Loss for the year , before income tax	**38,611**	**(3,240)**	**35,371**
Income tax income	(334)	810	476
Loss for the year	**38,277**	**(2.430)**	**35.847**
Translation differences of financial statements of foreign operations	126	**-**	**126**
Total comprehensive income for the year	**38,403**	**(2,430)**	**35,973**

Impact on the Consolidated Statement of Cash Flow for the six month period ended 30 June 2018

Thousand Euro	30/06/2018	IFRS 16	30/06/2018 Restated
Cash flow from operating activities			
Profit / Loss for the year from continuing operations	**38,277**	**(2,430)**	**35,847**
Adjustments for:			
Amortisation / depreciation	73,300	22,103	95,403
Other adjustments to net result	85,364	-	85,364
Finance costs	64,886	10,167	75,053
Other income and expenses	(28,901)	-	(28,901)
Income tax income	334	(810)	(476)
Net changes in working capital	**(185,011)**	**(289)**	**(185,300)**
Cash flow from operating activities	**48,249**	**28,741**	**76,990**
Interest paid	(32,262)	(2,363)	(34,625)
Corporate income tax collections	(2,092)	-	(2,092)
Net cash flow from operating activities	**13,895**	**26,378**	**40,273**
Cash flow from investing activities			
Net proceeds and payments from investing activities	(274,195)	-	(274,195)
Net cash flow from investing activities	**(274,195)**	**-**	**(274,195)**
Cash flow from financing activities			
Proceeds from issuance of share capital	9,047	-	9,047
Net proceeds and payments from inicial institution debts	111,780	-	111,780
Payments from lease liabilities	-	(26,378)	(26,378)
Proceeds from redemption of own shares	5,231	-	5,231
Payments from other financial liabilities	(22,780)	-	(22,780)
Net cash flow from financing activities	**103,278**	**(26,378)**	**76,900**
Net decrease in cash and cash equivalents	(157,022)	-	(157,022)
Cash and cash equivalents at 1 January	320,092	-	320,092
Cash and cash equivalents at 30 June	**163,070**	**-**	**163,070**

b) Group accounting policy for leases

The Group assesses at inception whether or not a contract contains a lease.That analysis requires the use of judgement in order to determine whether there is an identified asset and whether the Group has the right to substantially obtain all the economic rewards deriving from the use of the identified asset and has the right to direct the use of that asset.

For each lease contract, the Group initially recognises the corresponding right-of-use asset and a lease liability.

In order to measure the lease liabilities, the amounts pending payment (less, if appropriate, any incentives receivable) at inception of the lease contract that the Group should pay over the lease term, discounted using the discount rate, are taken into account. The Group uses as the discount rate the incremental interest rates suited to each type of contract asset and term.

In order to measure the right of use asset, the amount of the lease liabilities is taken as a starting point, increased by payments and incentives prior to inception and restoration costs and indirect initial costs.

The Group recognises the depreciation of the asset recognised along with the annual financial charge associated with the lease liability in the income statement. The Group recognises in both the balance sheet and income statement the tax effect associated with the difference between IFRS 16 and those criteria applicable for tax purposes.

When the Group has been subrogated to the position of lessee under a lease contract as a result of a business combination, the related liability will be measured at the present value of the outstanding payments on the lease at the combination date as if the contract taken on were a new lease at that date. The right of use asset is recognised for the same amount as the lease liability, adjusted to reflect the favourable or unfavourable conditions of the lease compared with market.

The right of use assets will be tested for impairment like other assets with a finite useful life.

In terms of the cash flow statement, cash payments on the principal of the lease liability are classified in financing activities.

The exemptions provided under IFRS 16 for short-term and low-value leases have been applied to non-strategic assets (low value IT assets, furniture, housing etc).

4. Business Combinations and changes in the scope of consolidation

a) Incorporation of Medbuying Medbuying Technologies Group, S.L.

On 7 May 2019 Masmovil Ibercom S.A., Global Dominion Access, S.A. and Euskatel, S.A. executed the investment agreement for the incorporation of a start-up named Medbuying Technologies Group S.L whose purpose is the sale and purchase of all kinds of mobile telephony devices and technology. This company is 45% owned by the Group.

During the six month period ended 30 June 2019 this company was dormant.

b) Incorporation of Senior Telecomunicaciones and Servicios Avanzados S.L.

Senior Telecomunicaciones y Servicios Avanzados S.L. was incorporated on 21 February 2019. Its purpose is to provide and / or retail telemedicine services generally aimed at groups that may require remote healthcare and protection and communication services through the use of communication and information, audiovisual, telecommunication, electronic or interactive technologies within the prevailing regulatory framework, with the support or otherwise of human resources.

On 11 April 2019 this company's Extraordinary General Shareholders' Meeting agreed to carry out a capital increase which was subscribed by the Group through its subsidiary Xfera Móviles S.A.U. pushing its interest in the company to 70%.

During the six month period ended 30 June 2019 this company was dormant.

c) Acquisition of The Bymovil Spain, S.L.U.

As mentioned in the Consolidated Annual Accounts for fiscal year 2018, on 20 December 2018 the Group, through the subsidiary Xfera Móviles, S.A.U., acquired a 100% interest in ByMovil Spain, S.L.U. (hereinafter ByMovil).

During the six month period ended 30 June 2019, the Group obtained an initial assessment of the fair values of the Bymovil business acquired and adjusted the provisional values that were disclosed in the consolidated financial statements for the year ended 31 December 2018, modifying, in accordance with prevailing legislation, the amounts included in the Consolidated Statement of Financial Position at that date and therefore, adjusting the goodwill resulting from the business combination. The fair values determined to date are recognised at acquisition-date fair value.

The process to determine the definitive fair values is ongoing and the Group considers the values included in the business combination provisional since, although they were determined with the help of an independent expert, there could be new information that changes the values that were initially recognised. Any adjustment made during the appraisal period (not exceeding a maximum of twelve months from the acquisition date established in the standard) will be recognised as if it had been known at the acquisition date.

Details of the cost of the business combination and the fair value of the net assets acquired were as follows:

Thousand Euro	Carrying amount of the adquired line of business	Fair value adjustments	Fair value
Intangible assets	38	42,708	42,746
Property, plant and equipment	149	-	149
Deferred tax assets	340	-	340
Trade and other receivables	27,067	-	27,067
Other current assets	1,177	-	1,177
Cash and cash equivalents	22,248	-	22,248
Assets	**51,019**	42,708	**93,727**
Non-current loans and borrowings	(5,965)	-	(5,965)
Deferred tax liabilities	(14)	(10,677)	(10,691)
Current liabilities	(29,711)	-	(29,711)
Liabilities	**(35,690)**	(10,677)	**(46,367)**
Identifiable net assets adquired			**47,360**
Cost of the business combination			(78,089)
Goodwill (note 5)			**30,729**

The fair values of the main assets and liabilities at the date control was taken were calculated with the collaboration of an expert engaged to this effect as follows:

- Intangible assets: Both the customer portfolio and reacquired rights were valued using MEEM ("*Multi Excess Earnings Method*"), under which the asset's value is estimated through the sum of future excess earnings discounted to present value, less invested capital charges.

- The deferred tax liability was measured at the amount expect to be payable to the tax authorities applying a tax rate of 25% to the intangible assets registered.

5. Intangible Assets

Intangible assets and movement for the six-month period of 2019 and for all the year 2018 are as follows:

Thousand Euro	Goodwill	Computer Software	Patents, trademarks and licenses	Development	Other intangible Assets	Advances	Rights of use (*)	Total
Cost								
Balance at January 2018	**389,380**	**45,727**	**189,521**	**18,290**	**219,623**	**38**	**54,240**	**916,819**
Trasfer at 1 January due to IFRS 15 application	-	-	-	-	(46,850)	-	-	(46,850)
Balance at January 2018 Adjusted	**389,380**	**45,727**	**189,521**	**18,290**	**172,773**	**38**	**54,240**	**869,969**
Business combinations	87,792	241	68,565	-	35,918	-	-	192,516
Additions	-	39,749	27,128	112	2,139	-	248,059	317,187
Disposals	(922)	(6,845)	-	-	-	-	-	(7,767)
Transfers	-	3,441	11	(412)	(3,300)	(38)	44	(254)
Balance at 31 December 2018	**476,250**	**82,313**	**285,225**	**17,990**	**207,530**	**-**	**302,343**	**1,371,651**
Additions	-	39,719	1,150	13	-	-	78,499	119,381
Disposals	-	-	-	-	(161)	-	-	(161)
Transfers	-	2,386	(3,734)	-	3,925	-	-	2,577
Balance at 30 June 2019	**476,250**	**124,418**	**282,641**	**18,003**	**211,294**	**-**	**380,842**	**1,493,448**
Amortisation and impairment losses								
Balance at January 2018	**-**	**(12,944)**	**(20,403)**	**(9,324)**	**(45,330)**	**-**	**(5,213)**	**(93,214)**
Trasfer at 1 January due to IFRS 15 application	-	-	-	-	6,253	-	-	6,253
Balance at January 2018 Adjusted	**-**	**(12,944)**	**(20,403)**	**(9,324)**	**(39,077)**	**-**	**(5,213)**	**(86,961)**
Amortisation for the year	-	(11,606)	(16,710)	(2,035)	(28,354)	-	(10,790)	(69,495)
Disposals	-	6,840	-	-	929	-	-	7,769
Transfers	-	(583)	14	(2,653)	2,764	-	1	(457)
Balance at 31 December 2018	**-**	**(18,293)**	**(37,099)**	**(14,012)**	**(63,738)**	**-**	**(16,002)**	**(149,144)**
Amortisation for the period	-	(8,894)	(14,331)	(928)	(15,925)	-	(8,458)	(48,536)
Disposals	-	1	2	1	(319)	-	1	(314)
Balance at 30 June 2019	**-**	**(27,186)**	**(51,428)**	**(14,939)**	**(79,982)**	**-**	**(24,459)**	**(197,994)**
Carrying amount								
At 1 January 2018	**389,380**	**32,783**	**169,118**	**8,966**	**133,696**	**38**	**49,027**	**783,008**
At 31 December 2018	**476,250**	**64,020**	**248,126**	**3,978**	**143,792**	**-**	**286,341**	**1,222,507**
At 30 June 2019	**476,250**	**97,232**	**231,213**	**3,064**	**131,312**	**-**	**356,383**	**1,295,454**

(*) Relates to the rights to indirectly access the network of other operators

Intangible asset additions for the six month period ended 30 June 2019 primarily relate to investments in acquisitions and the development of IT business solutions and the materialisation of strategic agreements signed with several operators for wholesale access to infrastructures and the joint deployment of FTTH (Fiber-To-The Home) networks.

As mentioned in note 4, for the six-month period ended 30 June 2019, the Group has adjusted the provisional values of the business combination of The Bymovil Spain S.L.U. and the goodwill assigned to the CGU Xfera Móviles, S.A.U. was updated accordingly at transition date.

The Group monitors goodwill at CGU level annually. There follows a summary at CGU level of the allocation of goodwill:

	30/06/2019	**31/12/2018 (*)**
CGU		
Xfera Móviles	137,311	137,311
Xtra Telecom	39,791	39,791
Total CGUs	299,149	299,149
	476,251	**476,251**

(*) All figures for 2018 have been restated (note 4)

During the six month period ended 30 June 2019 no impairment losses were recognised on goodwill.

At 30 June 2019 the Group had firm commitments for the purchase of intangible assets amounting to Euros 7,172 thousand.

6. Property, Plant and Equipment

Property, Plant and Equipment and movement for the six-month period of 2019 and for all the year 2018 are as follows:

Thousand Euro	**Land and buildings**	**Installations, equipment and furniture**	**Other property, plant and equipment**	**Under construction and advances**	**Total**
Cost					
Balance at January 2018	**785**	**473,050**	**9,993**	**54,347**	**538,175**
IFRS 16 application at 1 January	-	(6,098)	-	-	(6,098)
Balance at January 2018 Adjusted (note 3)	785	**466,952**	**9,993**	**54,347**	**532,077**
Business combinations	19	4,565	2,621	-	7,205
Additions	-	188,366	4,343	45,965	238,674
Disposals	-	(19,414)	(4,301)	(793)	(24,508)
Transfers	(2)	31,023	23,565	(54,654)	(68)
Balance at 31 December 2018	**802**	**671,492**	**36,221**	**44,865**	**753,380**
Additions	-	80,033	1,610	50,859	132,502
Disposals	-	(15,344)	(17)	(82)	(15,443)
Transfers	(1)	43,392	43	(45,701)	(2,267)
Balance at 30 June 2019	**801**	**779,573**	**37,857**	**49,941**	**868,172**
Depreciation and impairment losses					
Balance at January 2018	**(191)**	**(73,777)**	**(1,304)**	**-**	**(75,272)**
Depreciation for the year	(19)	(85,201)	(6,038)	-	(91,258)
Disposals	-	13,395	4,298	-	17,693
Transfers	1	7,716	(8,021)	-	(304)
Balance at 31 December 2018	**(209)**	**(137,867)**	**(11,065)**	**-**	**(149,141)**
Depreciation for the period	(28)	(56,683)	(2,455)	-	(59,166)
Disposals	-	13,799	16	-	13,815
Transfers	1	-	-	-	1
Balance at 30 June 2019	**(236)**	**(180,751)**	**(13,504)**	**-**	**(194,491)**
Carrying amount					
At 1 January 2018	**594**	**393,175**	**8,689**	**54,347**	**456,805**
At 31 December 2018	**593**	**533,625**	**25,156**	**44,865**	**604,239**
At 30 June 2019	**565**	**598,822**	**24,353**	**49,941**	**673,681**

The main additions made during the six-month period ended 30 June 2019 relate to the rollout of the FTTH network, both in operation and in progress.

At 30 June 2019, the Group has firm commitments to purchase property, plant and equipment totalling Euros 89,980 thousand derived from the expansion of its telecommunications network over the coming years.

The Group is in the process of negotiating on an exclusive basis the sale of a FTTH network made up of 933 thousand DUs currently owned by the Group for Euros 217.5 million. Additionally, the Groupwould be entitled to sell another approximately 40 thousand DUs deriving from the densification of that network for an additional amount of almost Euros 7.5 million. The transaction is scheduled for completion in the second half of 2019 estimating a positive impact on the consolidated net equity of the Group of approximately 134 million euros (see note 2 b)). Additionally, the Group has entered into a new agreement with another operator enabling it to acquire, before the end of 2019, the right of use of 1 million DUs for 35 years for Euros 70 million. This is expected to have a positive effect on the Group's profitability given that economic ownership is obtained for the Group's customer base located in the DUs acquired.

7. Rights of use

This note provides information on leases under which the Group is the lessee.

The main types of lease contracts identified by Group management así como los principales juicios utilizados en la determinación del plazo del arrendamiento are as follows:

- Lease contracts for mobile telephony network locations: rights of use of identifiable spaces on mobile telephony infrastructures of other telephone operators or infrastructure operators or space on private sites. The Group has not had to make significant judgements in relation to the lease term for these contracts as they are subject to mandatory initial terms of 8 to 15 years (with the possibility of termination only in circumstances which may be classified as remote or after payment of all amounts due) without the Group having any unilateral extension options. Accordingly, the lease term is generally the mandatory term remaining to termination. Although there are certain exceptions where the Group has options relating to unilateral extension and early termination rights, these are not relevant.

- OBA and fibre network conduit contracts: rights of use of identifiable spaces in technical rooms (OBA) to store the Group's active equipment and conduits for optical fibre networks. The Group has the right (but not the obligation) to use the corresponding underlying assets for an unlimited timeperiod. Therefore, the lease period is linked to the time during which the possibility of using other assets or alternative means to satisfy the operational needs covered by these assets may be classified as remote. Although the use of assets or other alternative means could be considered remote at this stage, factoring in the timescale of the Group's business plans and the rate at which relevant changes could arise in this regard, Group Management considers that it is not possible to establish a period of more than 5 years, this being the period taken as the term for these contracts.

- Transmission line contracts: rights of use of groups of elements that make up the optical fibre network (dedicated networks"). The Group has not had to make significant judgements in relation to the lease term for these contracts as they are subject to mandatory initial terms (with the possibility of termination only in circumstances which may be classified as remote or after payment of all amounts due) without the Group having any unilateral extension options. Accordingly, the lease term is generally the mandatory term remaining to termination.

- Housing contracts: rights of use of identifiable spaces in buildings, technical rooms or telecommunications infrastructures of public bodies or third parties in order to hold the Group's active equipment. As a general rule, the lease term taken into account is initially the mandatory term. Nonetheless, provided that the mandatory period is less than the period during which the possibility of satisfying the operational needs covered by these assets through other assets or the use of alternative means may be classified as remote, Group managements takes the latter (in no event exceeding the maximum period to which the Group would be entitled under the contract). As in the case of OBA and conduit, although the use of assets or other alternative means could be considered remote at this stage, factoring in the timescale of the Group's business plans and the rate at which relevant changes could arise in this regard, Group Management considers that it is not possible to establish a period of more than 5 years, this being the period taken as the term for these contracts.

- Other contracts: rights of use relating to the lease of offices, vehicles and other assets not directly related to operations. Lease terms are generally the minimum contract terms.

The payments associated with short-term leases are recognised as an expense in the consolidated statement of comprehensive income. A short-term lease is that with a lease term of 12 months or less.

The payments associated with low value leases are recognised as an expense in the consolidated statement of comprehensive income. A low value lease is one where the underlying asset assigned for use has a value of less than Euros 5 thousand.

The movement in rights of use under leases is as follows:

Thousand Euro	**Rights of use**
Cost	
Balance at 1 January 2018	304,798
Additions	117,713
Disposals	(210,645)
Balance at 31 December 2018	211,866
Additions	9,015
Disposals	(122)
Balance at 30 June 2019	220,759
Depreciation and impairment losses	
Balance at January 2018	-
Depreciation for the year	(54,287)
Disposals	1,475
Balance at 31 December 2018	(52,812)
Depreciation for the period	(15,489)
Balance at 30 June 2019	(68,301)
Carrying amount	
At 1 January 2018	304,798
At 31 December 2018	159,054
At 30 June 2019	152,458

At 30 June 2019 lease contract liabilities are detailed in note 12 c).

8. Cost of obtaining customer contracts

The breakdown and movements in cost of obtaining customer contracts and the formalisation of discounts and subsidies granted to customers for the six-month period ended 30 June 2019 and year 2018 are as follows:

	2019	
Thousand Euro	**Non-current**	**Current**
Balance at 1 January 2019	65,724	135,198
Additions	52,210	63,321
Transfer to profit and loss	-	(102,961)
Transfers	(47,721)	47,721
Balance at 30 June 2019	**70,213**	**143,279**

Thousand Euro	2018 Non-current	2018 Current
Application of IFRS 15 at 1 January 2018	41,776	96,762
Additions	65,724	148,865
Transfer to profit and loss	-	(152,205)
Transfers	(41,776)	41,776
Balance at 31 December 2018	**65,724**	**135,198**

9. Prepayments for current and non-current assets

Non-current amounts relate to prepayments on services contracts with a term of more than one year. Until 31 December 2018 this heading included initial payments made to install the Group's telecommunications equipment on third-party infrastructures and the rent of transmission lines. Following the entry into effect of IFRS 16 on 1 January 2019, those prepayments are considered as a component of the lease contracts affected by that standard.

Current amounts relate primarily to payments made in respect of annual fees for reserving the radio spectrum in the public domain, insurance, bank charges and maintenance.

10. Trade and Other Receivables and current tax assets.

Details of trade and other receivables are as follows:

Thousand Euro	30/06/2019	31/12/2018
Trade recievables	251,816	224,757
Terminal finacing to customers	5,561	9,095
Other recievables	2,176	1,337
Public entities, other	69,974	35,511
	329,527	270,700
Impairment	(49,425)	(32,955)
	280,102	**237,745**

Movement in impairment is as follows (see note 18 d)):

Thousand Euro	30/06/2019	31/12/2018
Opening balance	**(32,955)**	**(8,545)**
Charges	(22,198)	(36,407)
Reversals	2,481	4,952
Applications	3,247	7,045
Closing balance	**(49,425)**	**(32,955)**

11. Equity

At 30 June 2019 the Group presents on a one-off and extraordinary basis negative consolidated shareholders' funds as a result of the agreement with PLT VII Holdco S.à.r.l. (Providence) in order to cancel the convertible bonds (note 12 b)) and the capital increase of Euros 100 million associated to the Payables of special nature (note 20). The Company's directors consider that this situation will reverse in the second half of 2019 (see note 2 b)). At 30 June 2019 Masmovil Ibercom S.A. presents positive shareholders' funds. Moreover, neither the Company nor any of the Group companies fulfils any of the conditions established in article 363 of the Spanish Companies Act at that date.

Details of equity and movement during the year are shown in the condensed consolidated statement of changes in equity.

a) Capital, share premium and other reserves

Capital

At 30 June 2019 the share capital of the Company is represented by 131,714,565 shares of Euros 0.02 par value each, (120,210,500 shares of Euros 0.02 par value each at 31 December 2018) all fully paid. All shares have the same voting and profit-sharing rights.

On 7 May 2019 the Company carried out two capital increases: i) 6,504,065 new shares, with a par value of Euros 0.02 each, at a premium of Euros 18.43 per share, which was fully subscribed by PLT VII MC S.à.r.l. (Providence) in order to repurchase the Company's convertible bonds (see section d) of present note) and ii) 5,000,000 new shares with a par value of Euros 0.02 each at a premium of Euros 19.98 per share fully subscribed by two international banks. Cash generated on the second capital increase is pledged to cover the second payment for the cancellation of the convertible bonds of Providence (note 12 b)).

At 30 June 2019 the shares of the Company are held by several shareholders, and those holding more than 3% are the following: Onchena S.L.U. 13.19%, FMR LLC (Fidelity) 8.38%, Indumenta Pueri SL 8.03%, Providence (through two spvs) 7.94%, Key Wolf SLU 5.0% and Gala Growth Properties S.L. 3.91%.

Share premium

The share premium at 30 June 2019 amounting to Euros 836,039 thousand (Euros 616,269 thousand at 31 December 2018), derives from the capital increases carried out in 2019 and prior years.

Other reserves

The fall in other reserves relates to the cancellation of the Providence convertible debt in an amount of Euros 601,144 thousand (note 12 b)) and the accounting recognition of the capital increase related to the Payables with special nature amounting to Euros 95,445 thousand (note 20).

b) Own shares

The following own share transactions were carried out during the six-month periods ended 30 June 2019 and 2018:

	Number of Shares	
	30/06/2019	**30/06/2018 (*)**
Balance at 1 January	**103,986**	**522,990**
Additions	2,230,705	2,238,195
Disposals	(2,255,335)	(2,642,885)
Balance at 30 June	**79,356**	**118,300**

(*) Data calculated by weighting the impact of the Company's stock split carried out on 13 December 2018 mentioned in section a) of note 11 of Consolidated Annual Accounts 31 December 2018.

During the six-month period ended 30 June 2019, the Company sold own shares with an acquisition value of Euros 42,557 thousand (Euros 55,651 thousand during the six-month period ended 30 June 2018), increasing reserves by Euros 471 thousand (An increase in reserves of Euros 300 thousand during the six-month period ended 30 June 2018) due to the difference between the average acquisition cost and the selling price.

At 30 June 2019, the Company held 79,356 own shares acquired at an average weighted cost of Euros 19.10 per share (118,300 own shares at 30 June 2018 at an average weighted cost of Euros 20.64 per share).

c) Earnings/(loss) per share

All figures calculated for 2018 have been restated weighting the impact of the Company's share split dated 13 December 2018, described in section a of note 11 a) to the consolidated financial statements at 31 December 2018.

Basic

Basic earnings per share are calculated by dividing the profit/(loss) for the period attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period, excluding own shares.

Details of the calculation of basic loss per share are as follows:

	30/06/2019	30/06/2018
Profit / (loss) for the year attributable to equity holders of the Parent (Thousand Euro)	(33,733)	35,847
Weighted average number of ordinary shares outstanding (in thousand shares)	123,625	100,416
Profit/(loss) per share (in Euros)	**(0.273)**	**0.357**

The weighted average number of ordinary shares outstanding is determined as follows:

In thousand shares	30/06/2019	30/06/2018
Shares outstanding at 1 January	120,211	99,756
Effect of shares issued	3,496	719
Effect of treasury shares	(81)	(58)
Weighted average number of ordinary shares outstanding at 30 June	**123,625**	**100,416**

Diluted

Diluted earnings per share are calculated by adjusting the profit/(loss) for the period attributable to equity holders of the Parent and the weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares.

Details of the calculation of diluted earnings/(loss) per share are as follows:

	30/06/2019	30/06/2018
Profit/ (Loss) for the year attributable to equity holders of the Parent (Thousand Euro)	(28,877)	49,017
Weighted average number of ordinary shares outstanding (in thousand of shares)	145,062	165,298
Diluted loss per share (in euros)	**(0.199)**	**0.297**

A reconciliation of profit/(loss) for the period attributable to equity holders of the Parent with profit/(loss) for the period attributable to equity holders of the Parent (diluted) is as follows:

Thousand Euro	30/06/2019	30/06/2018
Profit/(Loss) for the year attributable to equity holders of the Parent	(33,733)	35,847
Financial interest after taxes of the conversion of convertible bonds	4,856	13,170
Profit/(loss) for the year attributable to equity holders of the Parent (diluted)	**(28,877)**	**49,017**

The weighted average number of diluted ordinary shares outstanding is determined as follows:

In thousand of shares	30/06/2019	30/06/2018
Weighted average of ordinary shares outstanding	123,625	100,416
Effect of the conversión of convertible bonds	21,437	64,882
Weighted average number of diluted ordinary shares outstanding	**145,062**	**165,298**

The effect of the conversion of the convertible bonds includes the shares relating to the convertible bonds acquired by Providence (43,210 shares), through to extinguishment, 7 May 2019 (note 12 b)).

d) Other equity instruments

As mentioned in note 12 b), on 1 April 2019 the Group reached an agreement with Providence to cancel the convertible bond which was considered a compound financial instrument, the liability component being separated from the equity instrument, resulting in the derecognition of other equity instruments in an amount of Euros 66,253 thousand.

12. Financial Debt

Details of financial debt are as follows:

	30/06/2019		31/12/2018	
Thousand Euro	Non-current	Current	Non-current	Current
Loans and borrowings	1,208,897	19,650	738,591	80,262
Derivative financial instruments	636	-	589	-
Other payables	5,788	128,575	8,094	233,400
Lease liabilites (note 7)	136,215	33,383	141,742	34,162
Other financial liabilities	46,097	608,463	177,510	12,759
	1,397,633	**790,071**	**1,066,526**	**360,583**

a) Loans and borrowings with financial institutions:

Details of loans and borrowings are as follows:

	30/06/2019		31/12/2018	
Thousand Euro	Non-current	Current	Non-current	Current
Loans	1,208,897	467	738,591	61,756
Credit facilities	-	17,447	-	13,907
Other loans and borrowings	-	1,736	-	4,599
	1,208,897	**19,650**	**738,591**	**80,262**

On 7 May 2019 the Group entered into a financing agreement with several Spanish and international banks amounting to Euros 1,700 million, the purpose of which is to finance its capital structure.The new financing structure is as follows :

- Euros 1,450 million in a loan without maintenance covenants (TLB) at an estimated cost of Euribor + 325 bps and placed with institutional investors. The loan is a bullet loan and is repayable in a single payment after 7 years (May 2026) with no partial payments until then. At 30 June 2019 the Group had used Euros 1,250 million of that loan.

- Credit lines amounting to Euros 250 million granted by several financial institutions whose conditions are associated with certain sustainability criteria. These credit lines would mainly be used to finance investments for the amount Euro 150 million and the Group's operating needs for the amount Euros 100 million. At 30 June 2019 the Group had not used these credit lines.

This new debt counts as the most relevant guarantee with the shares of the main subsidiaries of the Company.

Such refinancing, together with the capital increases carried out in the six-month period ended 30 June 2019 (note 11 a)), has permitted:

- Cancellation of the syndicated loan originally arranged in October 2016 amounting to Euros 791 million (nominal value of Euro 831 million), that includes the cancellation of the principal (Euros 785 million) and interest and breakage costs (Euros 6 million).

- Repurchase of Providence convertible bonds in full for Euros 883 million (note 11 d)) and section b) of this note). At 30 June 2019, the payment of the first tranche of the total repurchase of the convertible bonds with Providence for Euros 351 million (paragraph b) of this note and note 11 d)) was materialised. Additionally, part of the unused financing facility at 30 June 2019 will enable payment of the second tranche of this purchase.

- Cancellation of the junior subordinated loan amounting to Euro 120 million and corresponding interest, which was arranged by the parent company on 12 November 2018.

b) Other financial liabilities

The most significant movements during the six month period ended 30 June 2019 are as follows:

- On 1 April 2019 the Group entered into an agreement with PLT VII Holdco S.à.r.l. ("Providence") for the repurchase of all the Company's convertible bonds for a total of Euros 883,479 thousand that was structured in two tranches:

  - The first tranche includes the repurchase of 40% of the convertible bond for a price of Euros 350,638 thousand which was paid on 7 May 2019.

  - The second tranche includes the repurchase of the remaining 60% at a price of Euros 532,841 thousand payable on 20 December 2019, recognised under other current financial liabilities.

  The final price of the last tranche is subject to a price adjustment that will depend on the future performance of the Company's share price until 19 December 2019 and may vary by a maximum of +/- Euro 60 million (Collar), representing a 20% variation upward or downward on the reference price of Euro 18.45 per share. The fair value of this instrument at 30 June 2019 which was calculated using the Montecarlo model amounts to Euro 5,744 thousand and is recognised as Other financial liabilities.

  The agreement with Providence cancels the latter's right to convert the instrument into the Company's shares.

  As part of the agreement, Providence invests Euros 120 million by subscribing a capital increase (note 11 a)).

  Prior to the above mentioned date, Providence's convertible bonds were recognised as a financial liability amounting to Euro 133,136 thousand and an equity instrument amounting to Euros 66,253 thousand (see note 11 d)), these being derecognised. Cancellation has resulted in the recognition of financial expenses amounting to Euros 82,946 thousand and a decrease in Other reserves amounting to Euros 601,144 thousand (see note 11 a)).

- The Group has formalised two Total Return Swaps ("TRS") with two international banks (note 20 b)). As of June 30, 2019, the Company has recognised the derivative financial instrument corresponding to the exposure of the variability of the shares, registering the derivative at fair value, calculated using a Monte Carlo model, amounts to Euros 4,555 thousand.

- In turn, on 27 December 2018 the Group registered a promissory notes programme for a maximum amount of Euros 50,000 thousand on the MARF. The entire programme was issued during the months of January and February 2019.

c) Lease liabilities

This heading records lease liabilities under IFRS 16 which at 30 June 2019 amount to Euros 117,341 thousand in the long-term and Euros 27,525 thousand in the short-term (see note 7). Additionally, this heading records liabilities related to finance lease contracts prior to the entry effect of that standard amounting to Euro 24,732 thousand.

13. Provisions

Details of provisions at 30 June 2019 and 31 December 2018 are as follows:

	30/06/2019		31/12/2018	
Thousand Euro	Non-current	Current	Non-current	Current
Provision for loss-making / onerous contracts	43,119	4,108	46,536	19,764
Provision for comercial transactions (note 18)	3,141	8,780	6,926	11,793
Provision for decommissioning	8,294	-	8,294	-
Provision for commitments with personnel (note 19 c))	45,829	-	41,713	-
Provisions for other liabilities	1,624	-	1,554	-
Other provisions	132	-	132	-
	102,139	**12,888**	**105,155**	**31,557**

Movement in provisions is as follows:

Thousand Euro	Provision for loss-making onerous contracts	Provisions for comercial transactions	Provisions for discommissioning	Provisions for commitments with personnel (Note 19 c))	Provisions for other liabilities	Other provisions	Total
Balance at 31 December 2018	**66,300**	**18,719**	**8,294**	**41,713**	**1,554**	**132**	**136,712**
Charge for the year	-	5,345	-	4,116	310	-	**9,771**
Applications	(6,404)	-	-	-	(240)	-	**(6,644)**
Reversals	(12,670)	(12,142)	-	-	-	-	**(24,812)**
Balance at 30 June 2019	**47,226**	**11,922**	**8,294**	**45,829**	**1,624**	**132**	**115,027**

Provision for loss-making/onerous contracts

At 30 June 2019 this heading includes a provision for Euros 47,226 thousand (Euros 49,280 thousand at 31 December 2018) relating to a contract entered into by Xfera Móviles S.A.U. for rendering telecommunications services, the price of which is considered to be above the market price. This provision is reversed in through the income statement over the contract term which expires in 2030. During the six month period ended 30 June 2019 an amount of Euros 2,054 thousand was taken to the income statement.

On 20 November 2018 the Group acquired a virtual mobile operator line of business from the company Lebara Mobile Group B.V. (Lebara). A provision was initially recognised for the contract that Lebara had with a telecommunications operator for national roaming services that was subject to conditions considered above market. This provision was reversed in full during the six-month period ended 30 June 2019 as a result of having improved the conditions governing the contract with operator.

14. Trade and Other Payables

Details of trade and other payables are as follows:

Thousand Euro	**30/06/2019**	**31/12/2018**
Trade payables	578,903	512,741
Public authorities, other taxes	76,408	18,551
Personnel	3,991	9,161
Other payables	12,895	13,126
	672,197	**553,579**

15. Risk Management and Fair Value

General

The Group is exposed to the following risks in relation to the use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities. The Group, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's overall risk management program focuses on minimising the uncertainty of financial markets and the potential adverse effects on the Group's financial yields. Some group subsidiaries use derivatives to hedge against certain risks.

a) Credit risk

Credit risk is defined as the risk of financial loss to which the Group is exposed if a customer or counterparty fails to comply with their contractual obligations relating to a financial instrument, and mainly stems from trade receivables and the Group’s investment instruments.

The maximum exposure to credit risk deriving from borrowings and other receivables at the date of the Condensed Consolidated Statement of Financial Position is as follows:

Thousand Euro	**30/06/2019**	**31/12/2018**
Loans and associates	9,501	3,677
Equity instruments	14,073	464
Deposits and guarantees	2,393	1,930
Other financial assets	269	6,195
Trade and other receivables	280,102	202,234
	306,338	**214,500**

The Group facilitates financing for its customers to acquire phones, either through financial institutions or using its own resources. The Group only acts as a guarantor in the agreements concluded between customers and financial institutions and does not recognise any receivables in this respect. The trade receivables arising in cases in which the Group offers financing using its own resources are reflected under the heading “Trade and other receivables” and the relevant provision is included in the provision for insolvencies.

The Group has policies to limit the amount of risk assumed with respect to customers and any financial institution, and the exposure to the risk of recovering loans is managed as part of the ordinary course of business. The Group has policies to ensure that sales of products on a wholesale basis are made to customers with an adequate credit record.

The Group has formal procedures to detect the impairment of trade receivables. These procedures and the individual analysis by business areas allow delays in payment to be identified and methods are established to estimate the impairment loss. The main components of this impairment are related to individually significant exposures and a component of the collective loss is established for groups of similar assets relating to losses that have been incurred but have not yet been identified.

Measurement adjustments for customer insolvency, the review of individual balances base on customer credit ratings, current market trends and an analysis of past insolvencies on an aggregate level require a high level of estimates. A reduction in the volume of balances gives rise to a reduction in measurement corrections and vice versa, based on the analysis of aggregate default experience. The practical solution used consists of a provision matrix based on segmenting groups of uniform assets and applying past default percentages for those groups and reasonable information regarding future economic conditions. The Group has identified three homogeneous groups of assets: residential, companies and wholesale. These groups have different characteristics with respect to collection management or the recovery of balances and therefore specific matrices have been developed.

Trade receivables are initially recognised at their nominal value and all necessary adjustments are applied for insolvency risk, i.e. those loans of a certain age or which present circumstances that indicate that their collection is doubtful. Delinquency percentages are calculated based on current delinquency experience over the past year since the market is very dynamic and they are adjusted for any differences between current and past economic conditions, and taking into consideration reasonably available projections.

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, whenever possible, that it always has sufficient liquidity to settle its obligations as they fall due, both in normal and difficult conditions, to avoid incurring unacceptable losses or risking its reputation.

The Group carries out prudent management of liquidity risk, based on maintaining sufficient cash and negotiable securities, the availability of sufficient financing through credit facilities and the capacity to sell marketable holdings. Given the dynamic character of the underlying businesses, the Group aims to be flexible with regard to financing through drawdowns on credit facilities with related parties.

The contractual maturity dates of financial liabilities, including estimated payments for interest are presented below:

Thousand Euro	30/06/2019							
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**More than 1 year and less tha 2 years**	**More than 2 years and less than 3 years**	**More than 3 years and less than 4 years**	**More than 4 years and less than 5 years**	**More than 5 years**
Loans and borrowings	1,228,547	1,511,239	19,650	41,737	41,189	41,189	41,076	1,326,398
Derivative financial instruments	636	636	-	-	636	-	-	-
Other payables	134,363	134,388	128,575	3,802	415	312	286	998
Lease liabilities	169,598	175,340	33,383	25,806	26,466	24,785	19,722	45,178
Other financial liabilities	654,560	656,463	608,463	30,600	3,900	4,500	9,000	-
Payables of special nature	95,445	100,000	100,000	-	-			
Trade and other payables	672,197	672,198	672,198	-	-	-	-	-
	2,955,346	3,250,264	1,562,269	101,945	72,606	70,786	70,084	1,372,574

c) Market risk

Market risk is the risk that changes in market prices, for example in exchange rates or interest rates, could affect the Group's income or the value of financial instruments held. The objective of managing market risk is to manage and control exposure to this risk within reasonable parameters at the same time as optimising returns.

Interest rate risk

The Group's interest rate risk arises mainly from loans from financial institutions and related parties. These borrowings are extended at variable interest rates, so the Group has arranged hedging instruments to convert the majority of its debt to a fixed rate, thus avoiding interest rate risk on future cash flows. The Group's current policy is to maintain low leverage according to the operating profit of the Group.

d) Capital management

The Group's capital management is centred on safeguarding its capacity to continue operating as a going concern, to provide its shareholders with returns, while maintaining an optimal capital structure to reduce the cost of capital. Its current focus is complying with the maintenance ratios attached to the financing contract (see note 12 a)).

In relation to new the financing contract and bonds issued by the Company in previous years, the Group must comply with a series of covenants:

- With respect to the new financing contract relating to the CAPEX and Revolving lines, only if a specific percentage is used is the borrowing ratio (total net consolidated debt /EBITDA) applied

- The Company's corporate bonds establishes the same borrowing ratios as the new financing (total net consolidated debt/EBITDA).

The figures used in the financial ratios do not meet the definitions indicated in the APMs described in the Directors' Report, rather, they are normalised figures based on the definitions established in the different financing agreements.

At present, the amounts reflected in the financial statements of the Masmóvil Group form ratios that indicate compliance with the described.

e) Derivative financial instruments

As is aforementioned in c) of this note, the Group uses derivative financial instruments to hedge the risks to which its business activities, operations and future cash flows are exposed.

At 30 June 2019 in the context of the new financing structure, the Group has arranged interest rate on cash flow hedges with the lenders, covering 50% for a nominal debt.

In turn, at 30 June 2019 the Group has two derivatives whose measurement is discussed in note 12 b).

16. Other Non-current Liabilities

The movement of other non-current liabilities, which includes the concepts mentioned in the Consolidated Annual Accounts for the year 2018, is as follows:

Thousand Euro	**30/06/2019**	**31/12/2018**
Opening balance	133,219	107,074
Additions	21,787	30,482
Transfer to profit and loss	(3,030)	(4,337)
Closing balance	**151,976**	**133,219**

This caption also includes other non-current liabilities amounting to Euro 510 thousand at 31 December 2018.

17. Income Tax

The reconciliation between the tax income expense and the accounting profit and loss from continuing operations is as follows:

Thousand Euro	**30/06/2019**	**30/06/2018 (*)**
Profit/(Loss) for the year from continuing operations, before income tax	(47,271)	35,371
Tax calculated at the corresponding rate	11,818	(8,129)
Adjustments to Income tax	1,720	8,838
Unrecognised tax credits	-	(233)
Total tax Income/(Expense)	13,538	476

*Data restated

When analysing the effective tax rate at 30 June 2019, it should be remembered that the consolidated loss comprises profits and losses contributed by the consolidated fiscal companies, the applicable tax rate amounting to 25%.

Tax adjustments, are mainly related to the adjustments deriving from the adoption of sundry IFRS that have come into effect in these two periods.

18. Income and Expense

a) Revenue

Details of revenue are as follows:

Thousand Euro	**30/06/2019**	**30/06/2018**
Sales	49,948	31,717
Services rendereds	741,965	644,736
	791,913	**676,453**

The Group's activity mainly consists of the rendering of landline, mobile phone and boadbrand services. These transactions constitute the Group's only segment of activity.

The Group differentiates between the following types of customers:

- Consumer: customers in this group are offered landline, mobile phone and boadbrand services.

- Business: landline, mobile phone, boadbrand and data services, as well as other value-added services such as data centres, cloud, virtual PBX, email and video conferencing.

- Wholesale: wholesale services comprising voice solution sales to other sector operators, without access as the customers already have their own network.

b) Merchandise, raw materials and consumables used

Details of merchandise, raw materials and consumables used are as follows:

Thousand Euro	**30/06/2019**	**30/06/2018**
Merchandise used	84,919	96,716
Raw materials and other consumables used	200,120	158,295
Subcontracted work	90,893	74,144
	375,932	**329,155**

c) Employee benefits expense

Details of the employee benefits expense are as follows:

Thousand Euro	**30/06/2019**	**30/06/2018**
Salaries and wages	23,080	18,054
Social Security contributions	6,701	4,630
	29,781	**22,684**

The average headcount of the Group, distributed by gender and category, is as follows:

	30/06/2019		**30/06/2018**	
	Men	**Women**	**Men**	**Women**
Managment	61	14	60	15
Technicians	132	40	98	31
Administrative staff	41	40	33	33
Other employees	269	209	204	107
	503	**303**	**395**	**186**

The distribution of employees with a disability rating of 33% or higher (or equivalent local rating) during the three-month period ended 30 June 2019 is as follows:

	30/06/2019	**30/06/2018**
Administrative staff	1	1
Other	2	2
	3	**3**

d) Other operating expenses

Details of other operating expenses are as follows:

Thousand Euro	**30/06/2019**	**30/06/2018 (*)**
Royalties	23,593	23,637
Repair and maintenance	30,270	23,102
Independent professioal services	53,851	21,311
Other services	36,967	51,159
Transport	1,542	1,198
Insurance fees	419	189
Bank fees	6,373	3,703
Advertinsing, publicity and public relations	29,668	22,791
Suplies	2,063	1,538
Other expenses	5,431	3,845
Levies and other taxes	5,896	5,453
Loss, impairment and changes in provisions (note 10)	19,717	14,344
Loss and Impairment from sale of assets	1,663	202
	217,453	**172,472**

(*) Data restated

19. Related Parties

a) Related party balances

Details of balances with related parties at 30 June 2019 and 31 December 2018 are as follows:

	30/06/2019	**31/12/2018**
Thousand Euro	Related parties	Related parties
Equity		
Bonds and other marketable	-	66,253
Other equity instruments	-	66,253
Bonds and other marketable	-	131,255
Payables of special nature (note 20)	95,445	-
Other liabilities (note 12 b))	538,585	-
Total Liabilities	634,030	131,255
Total liabilities and other equity instruments	**634,030**	**197,508**

At 30 June 2019 the heading “Other financial liabilities” includes the balance payable to PLT VII Holdco S.à r.l. (“Providence”) which includes the second payment for the cancellation of the convertible bonds and the related derivative (collar) (note 12 b)).

At 31 December 2018 the heading debentures and other negotiable securities related to the convertible bonds mentioned above.

b) Related party transactions

Details of related party transactions during the six-month periods ended 30 June 2019 and 30 June 2018 are as follows:

	30/06/2019		
Thousand Euro	Directors and Senior Management of The Parent	Related parties	Total
Expenses			
Salaries and allowances	5,132	-	5,132
Finance costs	-	98,101	98,101
Total costs	**5,132**	**98,101**	**103,233**

	30/06/2018		
Thousand Euro	Directors and Senior Management of The Parent	Related parties	Total
Expenses			
Salaries and allowances	3,646	145	3,791
Finance costs	-	13,170	13,170
Total costs	**3,646**	**13,315**	**16,961**

At 30 June 2019 financial expenses relate to accrued interest with Providence on the convertible bonds and the expenses for the cancellation of those bonds and the measurement of the derivative (collar) (see notes 11 d) and 12 b)).

c) Information on the directors and senior management personnel of the Group

During the six-month period ended 30 June 2019 the directors of the Company received remuneration of Euros 2,500 thousand in their capacity as such (Euros 1,192 thousand at 30 June 2018). During the six-month period ended 30 June 2019, senior management personnel accrued short-term employee benefits of Euros 2,632 thousand (Euros 2,454 thousand at 30 June 2018).

The directors have not received any loans or advances, nor has the Company extended any guarantees on their behalf. The Group has paid Euros 117 thousand as of 30 June 2019 (Euros 67 thousand at 30 June 2018) in civil liability insurance premiums for damage or loss caused by acts or omissions in the performance of their duties. The Group has no pension or life insurance obligations with the Parent's former or current directors.

Share revaluations rights plan

The fair value of the liability calculated according to Black-Scholes method, has been estimated at Euros 45,829 thousand (Euros 41,713 thousand at 31 December 2018) (see note 13). During the six-month period ended 30 June 2019 the expense related to this provision is Euro 4,116 thousand (Euros 23,251 thousand at 31 December 2018).

d) Transactions other than ordinary business or under terms differing from market conditions carried out by senior management personnel of the Parent

With the exception from the transactions with related parties disclosed previously, during the six-month period ended 30 June 2019 the directors of the Company and senior management personnel of the Group have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Parent or any other Group company.

e) Conflicts of interest concerning the directors of the Parent

The directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

20. Payables of special nature

On 7 May 2019 the Company increased capital through the issue of 5,000,000 new shares with a par value of Euros 0.02 each at a premium of Euros 19.98 per share, fully subscribed by two international banks (note 11 a)). This capital increase was carried out simultaneously with the formalisation of two Total Return Swaps (TRS) contracts, subscribed with the same counterparties and on the same date, with a nominal value of Euros 100 million (5 million Company shares at Euro 20 per share). The main characteristics of these TRS are as follows:

a) Start date: 7 May 2019
b) Maturity date 2 February 2020
c) Interest rate: Euribor 3m + 2.75%, payable on a quarterly basis by the Company through to maturity
d) Underlying: Company's ordinary shares
e) Initial price: 20 euro/ share
f) Final price: Volume- weighted average price - counterparties on the sale of the underlying shares.
g) Final price calculation period and permitted sales period: 15 October 2019 to 31 January 2020.
h) In no event is the Company obligated to repurchase the shares subscribed by the counterparties.

If the counterparties are unable to sell all the underlying shares by 31 January 2020, the Company will make a provisional settlement with respect to the counterparties at the initial price of Euros 20, multiplied by the number of underlying shares that have not been sold on the market.

Starting 31 January 2020 and if the Company has had to make the aforementioned settlement, the counterparties will continue to place the shares pending sale on the market for an additional one year period and hand over to the Company any amount paid on their sale. As from 31 January 2021 the counterparties obligations will be extinguished.

Both operations, the capital increase and TRS contracts, were performed simultaneously and through reciprocal consideration, it thus being understood that they, namely the capital increase and TRS contracts, are both related. The Company recognised the capital increase and at the same time recognised Euros 95,445 thousand (see note 11 a)) against reserves by credit to Payables of special nature. These Payables with special nature were initially measured at the amount collected less transaction costs and subsequently recognised at amortised cost, and corresponds to the potential obligation to pay the counterparties the amount initially charged in the event that the shares cannot be placed. The Company will recognise the settlements of these Payables with special nature, as well as the derivate referred to in note 12 b), as the shares are sold with charge or credit to the amounts settled and the difference with charge or credit to reserves.

21. Guarantees and Contingencies

Details of the Group's guarantees in place at 30 June 2019 and 31 December 2018 to secure fulfilment of the obligations deriving from the licence granted, and in relation to legal appeals and supplier contracts, are as follows:

- Guarantees for the granting of the B2 licence amounting to Euros 39,900 thousand (Euros 39,900 thousand at 31 December 2018): the administrative contracts granting B2 licences for Xfera Móviles, S.A.U., to render 3G mobile telephone services (UMTS) include investment, roll-out, technical, commercial, job creation, industry support and business plan commitments, compliance with which is secured by counter-guarantees from the Group. The amount reflects the guarantees pending release for future commitments associated with the 2100 MHz frequencies.

- The Group also has guarantees in place to secure different commitments amounting to Euros 112,234 thousand (Euros 49,502 thousand at 31 December 2018), most notably in relation to the rental of premises, business agreements and various appeals lodged against settlements of local corporations and other public entities, and for(i) deferral of payment for the spectrum in the 2.100 and 1.800 Mhz bands and (ii) suspension of payment of the levy for the radio electric spectrum in the public domain relating to the 3,5 Ghz band.

On 12 July the Group received the resolution of the Central Economic-Administrative Tribunal upholding the Group's allegations in relation to the three provisional assessments issued by the Tax Administration State Agency in respect of Business Tax (IAE) for the years 2013, 2014 and 2015. This resolution entails the return of the guarantees provided amounting to Euros 11,347 thousand.

The subsidiary Xfera Móviles, S.A.U. offers its customers financing, using its own resources or through agreements with different financial institutions, for the purchase of handsets when acquired in conjunction with a subscription to telecommunications services. In the case of financing through financial institutions, Xfera Móviles, S.A.U o extends them a guarantee on behalf of its customers to cover any potential defaults on the loan repayments, which is why it recognises a provision for commercial transactions (see note 13). The total amount financed through financial institutions at 30 June 2019 came to Euros 169 million (Euros 182 million at 31 December 2018).

The directors of the Group do not consider that any risks exist in relation to the situations covered by the guarantees provided. Furthermore, there are no other potential significant law suits which could entail a risk for the Group.

22. Events After the Reporting Period

On 11 July 2019 the Group obtained a 67/100 ESG (Environmental, Social & Governance) rating from S&P. This rating will serve as an initial reference to determine future changes in the margins applied to credit lines of Euros 250 million (note 12 a)).

Appendix I – Details of subsidiaries as at 30 June 2019

Name	Registered office	Activity	Auditor	Shareholder	Percentage ownership	Percentage of voting rights	Consolidation method
Xtra Telecom, S.A.U.	Avda. de la Vega, 15. Alcobendas	Activities and services in the field of telecommunications	KPMG	Xfera Móviles, S.A.U.	100.00%	100.00%	Global
Masmovil Broadband, S.A.U.	Avda. de la Vega, 15. Alcobendas	Activities and services in the field of telecommunications	KPMG	Xfera Móviles, S.A.U.	100.00%	100.00%	Global
Embou Nuevas Technologías, S.L.U.	Calle Bari 33, Edificio 1, Zaragoza	Consultancy and business advisory services in the field of telecommunications and new technologies	n/a	Masmovil Telecom 3.0, S.A.U.	100.00%	100.00%	Global
The Bymovil Spain, S.L.U.	Polígono Mies de Molladar D-9, Cartes (Cantabria)	Marketing and selling of electrical, electronic and telephone materials	Camblor & Jameson	Xfera Móviles, S.A.U.	100.00%	100.00%	Control
Masmovil Investments, S.L.U.	Avda. de la Vega, 15. Alcobendas	Telecommunications services and deployment and operation of telecommunications networks in Spain	n/a	Masmovil Broadband, S.A.U.	100.00%	100.00%	Global
Masmovil Infrastructures, S.L.U.	Avda. de la Vega, 15. Alcobendas	Telecommunications services and deployment and operation of telecommunications networks in Spain	n/a	Masmovil Broadband, S.A.U.	100.00%	100.00%	Global
Senior Telecomunicaciones y Servicios Avanzados S.L.	C/ Maria Tubau 8 4ª 28050 - Madrid	Provision and / or commercialization of telemedicine services and / or assistance and protection or remote communication services, through the use of communication and information, audiovisual, telecommunications, telematic or intereactive technologies.	n/a	Xfera Móviles, S.A.U.	70.00%	70.00%	Global
Masmovil Phone and Internet, S.A.U.	Avda. de la Vega, 15. Alcobendas	Holding company	n/a	Masmovil Ibercom, S.A.	100.00%	100.00%	Global
Masmovil Holdphone, S.A.U.	Avda. de la Vega, 15. Alcobendas	Holding company	n/a	Masmovil Phone and Internet, S.A.U.	100.00%	100.00%	Global
Xfera Móviles, S.A.U.	Avda. de la Vega, 15. Alcobendas	Activities and services in the field of telecommunications	KPMG	Masmovil Holdphone, S.A.U.	100.00%	100.00%	Global
Pepeworld, S.L.U.	Avda. de la Vega, 15. Alcobendas	Holding company	n/a	Xfera Móviles, S.A.U.	100.00%	100.00%	Global
Pepe Energy, S.L.	Avda. de la Vega, 15. Alcobendas	Electricity supply	n/a	Pepe World, S.L.U.	94.44%	94.44%	Global
Pepemobile, S.L.U.	Avda. de la Vega, 15. Alcobendas	Telecommunications services; IT services; development, sale and distribution of IT programs and materials	KPMG	Pepe World, S.L.U.	100.00%	100.00%	Global
Neutra Network Services, S.A.U.	Avda. de la Vega, 15. Alcobendas	Activities and services in the field of telecommunications	n/a	Masmovil Broadband, S.A.U.	100%	100%	Global
Com&Media Proyectos y Servicios, S.L.	Parque Empresarial Zuatzu, 4 edificio Urumea, 20001 San Sebastian	Telecommunications services	n/a	Masmovil Iberom, S.A.	49%	49%	Equty method
Medbuying Technologies Group, S.L.	Via de las dos Castillas, km 33, Complejo África, Edificio 1, Pozuelo de Alarcón, 28224, Madrid	Sale of all kinds of mobile phone devices and technology	n/a	Xfera Móviles, S.A.U.	45%	45%	Equity method

This appendix forms part of note 2 a) of the Condensed Consolidated Interim Financial Statements, and should be read therewith the note.

Consolidated Interim Directors' Report

for the six-month period ended 30 June 2019

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

1. INTRODUCTION

GDP in Spain rose by 0.7% during the first quarter of 2019. The year-on-year variation in GDP was 2.4%. The European Commission has estimated growth for 2019 at 2.3%.

The current market climate is an additional advantage for meeting the Group's objectives in 2019:

- Price increase: The traditional telecommunications operators in Spain have continued increasing prices following the “more for more” strategy (more data or mobile services for a higher monthly fee). In fact, the inflation rate for telecommunications doubled the general inflation rate, which has contributed to the recovery of the market.

- Convergence boom: the increase in the weight of convergent offers (more than 70% of telecommunications service purchasing decisions in Spain are associated with convergent offers) demonstrates the opportunity that convergence represents for the Group. The Group currently offers convergent packages under its three large brands.

- Market growth: consumer demand will continue to drive broadband growth in the Spanish market, which exceeded 15 million access points at the end of the second half of the year.

- Expansion of OTT: the growing number of “over the top” platforms is changing the manner in which video content is being consumed. This affects the 4P business model (voice, mobile, fixed broadband and video content) for telecommunications operators. According to the CNMC, around 30% of the households with audio-visual content chose to contract OTT services and the Group expects this figure to continue to grow. The Group has therefore started to promote third-party services during this six-month period.

2. BUSINESS PERFORMANCE AND SITUATION OF THE GROUP

During the first half of 2019 the Group won a record number of customers with more than 627,000 new additions, including post-paid mobile and fixed broadband, and continued to improve its main figures, both operational and financial. During these six months the Group continued to post robust growth, leading the Spanish market in terms of customers won and developing in a fast and efficient manner its own network infrastructure, primarily in optical fibre.

Thanks to its robust business performance, in the first half of the year, the Group’s adjusted EBITDA amounted to Euro 216 million while its adjusted EBITDA margin stood at 27%.

Compared with the same period in the previous year, total revenues were up by 17% and amounted to Euros 792 million.

The Group continued to carry out corporate operations aligned with its growth and profitability strategy and its search for synergies and management savings. In addition, these operations respond to the Company's ongoing strategy designed to develop its own fibre telecommunications and mobile networks in the fastest and most efficient manner possible.

In parallel to the Group’s corporate and financial development, the Group has posted a remarkable operational performance, marked by its excellent performance in terms of mobile and fixed ports.

In the first half of 2019 the Group won a total of 217 thousand mobile ports (net) and 127 thousand in the fixed broadband business. Thanks to these figures, the Group is the leading organisation in Spain in terms of net ports in both businesses.

The MASMOVIL Group continues to post a strong performance in all market segments and ended the first half of the year with net additions of 627,000 a record in terms of lines won during this period, including post-paid mobile and fixed broadband.

Of these lines, 390 thousand are postpaid mobile and 237 thousand fixed broadband. According to the official information reported by the regulator (CNMC), the Group had won more than 89% in terms of net customer additions in fixed broadband in the last month reported (February 2019).

At the end of the first half of the year, MASMOVIL had nearly 8,7 million lines, which is 33% more than last year, of which 7.5 million are mobile lines (5.2 million pertain to the post-payment segment, 19% more than last year) and 1.2M in the fixed broadband segment (61% more than last year), of which 79% are fibre optic service customers.

The Group's consolidated figures during the first half of 2019 were as follows:

	Consolidated 30/06/19	**Consolidated 30/06/18**
Total Revenues	791,913	676,453
Total Revenues less handset sales	695,804	566,047
Amortisation and depreciation	(123,191)	(95,403)
Results from operating activities	86,633	81,187
EBITDA (Results from operating activities + amortisation and depreciation)	209,824	176,590
Integration and migration expenses	6,664	7,388
EBITDA recurrent (EBITDA + integration and migration expeneses)	216,488	183,978
Profit after tax	(33,733)	35,847

This represents growth totalling 17.1% and 17,7% in terms of revenue and adjusted EBITDA, respectively, during the first half of 2019 compared to the first half of 2018.

On 7 May 2019 the Group entered into a financing agreement with several Spanish and international banks amounting to Euros 1,700 thousand, the purpose of which is to finance its capital structure:

(i) Cancellation of the syndicated loan originally arranged in October 2016 amounting to Euros 791 million, that includes the cancellation of the principal (Euros 785 million) and interest and breakage costs (Euros 6 million) .
(ii) Amortisation of the junior debt, Euros 102 million, and payment of corresponding accrued interest.
(iii) Repurchase of Providence convertible bonds in full for Euros 883 million.

The issue of new financing which was 1.6x oversubscribed on financial markets, was arranged as follows:

- Euros 1,450 million in a loan without maintenance *covenants* at an estimated cost of Euribor +325bps and placed with institutional investors. The loan is a bullet loan and is repayable in a single payment after 7 years (May 2026) with no partial payments until then.

- Credit lines amounting to Euros 250 million granted by several financial institutions. These credit lines would mainly be used to finance Capex (Euro 150 million) and the Group's operating needs (Euros 100 million). The estimated cost is Euribor +275 bps, with the six-monthly settlement of interest and the six-monthly repayment of the principal forecast from 2021 to 2024.

In order to place the TLB loan, the Masmóvil Group obtained ratings from credit rating agencies, with a BB- from S&P and Fitch and B1 from Moody's.

Two capital increases were carried out, the first amounting to Euros 120 million which was subscribed by Providence and the second amounting to Euro 100 million which was subscribed by two banks and associated with two TRS contracts with the same counterparties.

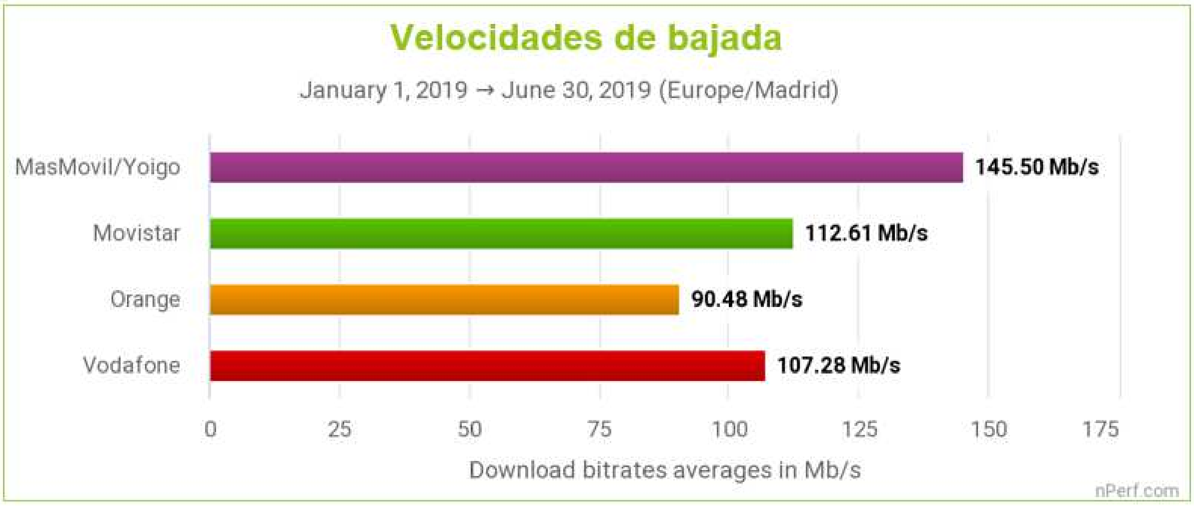
3. OUTLOOK FOR THE GROUP

The Group's commercial performance at 30 June 2019 continues to be very positive and shows acceleration in terms of the net recruitment of customers compared to 2018. This is the result of the launch of the new rates by Yoigo and Pepephone, and the implementation of the convergent offer by Yoigo and its reformulation by Pepephone.

During 2019 MASMOVIL continued to make accelerated investments in the development of its own networks, primarily the fibre-optic network, and at the end of the first half of the year it had invested a total of Euros 229 million, of which €97 million was used to deploy the FTTH network, Euro 77 million was assigned to commercial CAPEX and the remainder to maintaining infrastructures and information technologies.

At the end of the first half of the year MASMOVIL had nearly 20,3 million marketable households with its fibre optic service, of which 7.6 million used its own fibre-optic network.

The latest report from the prestigious French consulting company nPerf "Barometer of fixed Internet connections in Spain" was just published and for the third consecutive six-month period MASMOVIL offered the fastest download, upload and latency speeds on average to its fixed broadband customers.



La velocidad más elevada es la mejor.

The mobile network and agreements with other operators allow the Group to have a covering up to 99.0% of the Spanish population.

In 2019 the Group will focus on executing the following points:

- Ensure excellence when providing services to customers well as making advances in the digitalization process
- Develop a consistent brand strategy to optimise the difference and attain higher market coverage.
- Increase the average revenue per user.
- Migrate customers to make an efficient use of both mobile and broadband networks operated by the Group and the new National Roaming agreements.
- Continue to obtain synergies after the acquisitions (in addition to the cost savings deriving from national roaming), such as in IT, sales, customer service, network maintenance, overheads, etc.
- Continue to develop the fibre-optic and mobile telephony network leveraging both the co-investment and partnership agreements with third parties, as a supplement to our own development of the network.

MASMOVIL has entered into an agreement to sell 933 thousand FTTH DUs for Euros 217.5 million and acquire one million FTTH DUs for Euros 70 million. The two transactions will have a neutral impact on the size and scale of MASMOVIL's FTTH network and EBITDA in the medium term on a year on year basis. The combination of the transactions will generate Euros 150 million, net, in liquidity, having a positive impact on Cash flows from operating activities in 2019. On 24 June 2019 the potential buyer reported that it had substantially completed the due diligence.

MASMOVIL, Global Dominion and Euskaltel have entered into an agreement to incorporate a company whose purpose is to centralise the purchase by these companies of mobile handsets, routers and other accessories related to the world of telecommunications.

4. BOARD OF DIRECTORS

The Company's Board of Directors is empowered to adopt resolutions on all manner of issues that are not attributed to the shareholders by law or in the articles of association.

Among other functions, the Board of Directors approves the Group's strategy and the organisation of the resources required to implement it. In addition, it supervises the performance of the CEO and the rest of the management team with a view to achieving the targets set while respecting the statutory activity and the interest of the Company.

The Company's Board of Directors consists of 12 members (one executive director, six proprietary directors and five independent directors)

The CEO has been delegated all the powers of the Board of Directors, with the exception of those powers which cannot be delegated by law or under the articles of association.

The Board of Directors entrusts the CEO and the management team with the ordinary management, administration, dissemination, coordination and general implementation of the guidelines set by the Board.

The Board of Directors has two committees:

- Audit Committee
- Appointments and Remuneration Committee.

The two committees lack executive functions and, within their scope of action, act as reporting and consultative bodies with advisory and proposal powers, which are governed by both the articles of association and their own internal regulations.

5. SHAREHOLDER STRUCTURE

Its current share capital is represented by 131,714,565 shares with the same economic and politic rights and a par value of Euros 0.02 each. Share capital is fully paid in.

At 30 June 2019 the shares are held by several shareholders, and those holding more than 3% are the following: Onchena S.L.U. 13,19%, FMR LLC (Fidelity) 8,38%, Indumenta Pueri SL 8,03%, Providence (through two spvs) 7,94%, Key Wolf SLU 5,0% and Gala Growth Properties S.L. 3,91%.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

During the first half of 2019, the Group confirmed its investment targets in research and development activities and dedicated resources to such tasks.

The projects detailed in the consolidated annual accounts for 2018 are progressing on schedule and according to plan.

7. ACQUISITION OF TREASURY SHARES

During the six-month period ended 30 June 2019 the Company sold treasury shares with an acquisition value of Euros 42,557 thousand (Euros 55,651 thousand during the six-month period ended 30 June 2018), generating a decrease in reserves totalling Euros 471 thousand (Euros 300 thousand increase in reserves during the six-month period ended 30 June 2018) as a result of the difference between the average acquisition price and the selling price.

At 30 June 2018 the Company has 79,356treasury shares acquired at an average weighted cost of Euros 19.10 per share (118,300 treasury shares at 30 June 2018 at an average weighted cost of Euros 20.64 per share).

8. INFORMATION ON FINANCIAL INSTRUMENTS

At the end of the first half of 2019, the Group had no financial products that could be considered risk.

However, the Group uses derivative financial instruments to hedge the risks to which its future activities, transactions and cash flows are exposed.

Within the framework of these transactions and in compliance with the obligations stipulated in the syndicated loan, at 30 June 2019 the Group has arranged interest rate hedges with lending banks for a disposal nominal amount of Euros 625,000 thousand.

In turn, at 30 June 2019 the Group has two derivatives.

9. ALTERNATIVE PERFORMANCE MEASURES (APM)

To comply with European Securities Market Authority (ESMA) guidelines on Alternative Performance Measures (hereinafter "APMs"), the Group presents additional information to improve the comparability, reliability and comprehensibility of its financial statements. Although the Group's results are presented in accordance with generally accepted accounting principles (EU-IFRS), the directors consider that certain APMs provide useful additional financial information that should be considered when evaluating the Group's performance. The directors and management also use these APMs to make financial, operating and planning decisions and to evaluate the Group's performance. The Group provides APMs which it considers to be appropriate and useful for decision-making.

- Working capital: Calculated as current assets less current liabilities. This is a financial measure of the Group's available cash flow for operations.

- Consolidated profit for the year before net interest costs and taxes (EBIT): This is calculated based on the Group's consolidated profit, not including interest costs or taxes. .

- Consolidated earnings for the year before net interest expense, taxes, depreciation and amortisation (EBITDA): Calculated based on consolidated earnings for the year before net interest expense, taxes, depreciation and amortisation. It does not include amortisation or depreciation, interest expenses or direct taxes.

- Adjusted EBITDA: Consolidated Group EBITDA excluding any non-recurring extraordinary or exceptional expenses and any integration and migration expenses derived from the acquisition of new businesses. It also excludes impairment losses from "writte-offs" and gains or losses from the sale of assets

- Net financial debt: Consists of outstanding amounts recognised on loans and borrowings from credit institutions and other debts and reflects the liquid assets held at financial institutions.

- Any ratio from the APM's mentioned previously can be considered an alternative performance measure.

10. AVERAGE SUPPLIER PAYMENT PERIOD

The average supplier payment period stood at 59.04 days in the first half of 2019.

11. SIGNIFICANT EVENTS FOR THE GROUP AFTER THE CLOSE OF THE FIRST HALF OF 2019

On 11 July 2019 the Group obtained a 67/100 ESG (Environmental, Social & Governance) rating from S&P. This rating will serve as an initial reference to determine future changes in the margins applied to credit lines of Euros 250 million (note 12 a)).

Preparation of the Consolidated Interim Financial Statements and Consolidated Interim Management Report corresponding to the six-month period ended June 30, 2019

In compliance with the current legislation, the Directors of MASMOVIL IBERCOM, S.A., on July 24, 2019, prepared the attached Condensed Consolidated Interim Financial Statements in accordance with International Accounting Standard (IAS) 34, adopted by the European Union, which include the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows for the six-month period ended June 30, 2019, and the Consolidated Summary Explanatory Notes, together with the Consolidated Interim Management Report that accompanies these Consolidated Explanatory Notes. The Consolidated Interim Financial Statements as of June 30, 2019 are constituted by the attached documents that precede this statement.

Signatories:

Chair Mr. Eduardo Díez-Hochleitner	CEO Mr. Meinrad Spenger
Ms. Nathalie Picquot	Key Wolf, S.L. Represented by Mr. Jose Eulalio Poza
Ms. Pilar Zulueta de Oya	Mr. Rafael Domínguez de la Maza
Mr. Felipe Fernández Atela	Mr. Rafael Canales Abaitua
Mr. John Hahn	Mr. Robert Sudo
Mr. Josep María Echarri Torres	Mr. Borja Fernández Espejel