



COMMUNICATION OF A RELEVANT FACT

MASMOVIL GROUP

28th of February 2018

The following Relevant Fact is provided regarding the company MASMOVIL IBERCOM, S.A. (hereinafter either the “**MASMOVIL Group**” or “**MASMOVIL**”, or “**Group**”) in accordance with what is laid down in article 17 of Regulation (UE) n° 596/2014 on market abuse and article 228 of the revised text of the Securities Market Act passed by Legislative Royal Decree 4/2015 of 23rd October and subsequent dispositions.

Financial results: FY 2017

In Madrid on 28th of February 2018

Meinrad Spenger
CEO
MASMOVIL IBERCOM, S.A.

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FINANCIAL RESULTS FY17

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

Código de campo cambiado

1. Key Highlights

- MASMOVIL exceeds revised FY17 guidance**

	FY17	
	Actual	Guidance
Mobile Postpaid and Broadband Lines Net Adds	946k	800k
Service Revenue Growth	+20%	+18%
Recurrent EBITDA	238M€	235M€

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Service Revenue Growth	+20%	+18%
Recurrent EBITDA	238M€	235M€

- MASMOVIL was one of the fastest growing European Telecom operators in FY17**

	FY17		4Q17	
	Actual	yoy Growth	Actual	yoy Growth
Service Revenues	1,007M€	+20%	271M€	+23%
Recurrent EBITDA	238M€	+100%	70M€	+142%

	FY17		4Q17	
	Actual	yoy Growth	Actual	yoy Growth
Service Revenues	1,007M€	+20%	271M€	+23%
Recurrent EBITDA	238M€	+100%	70M€	+142%

- Net adds in convergent and postpaid mobile lines continue to accelerate**

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Net Adds - Lines	1Q17	2Q17	3Q17	4Q17	FY17
Broadband	77	78	93	134	382
Mobile Postpaid	87	95	192	190	564
Total Net Adds - Lines	164	173	285	324	946

Net Adds - Lines (k)	1Q17	2Q17	3Q17	4Q17	FY17
Broadband	77	78	93	134	382
Mobile Postpaid	87	95	192	190	564
Total Net Adds - Lines	164	173	285	324	946

○ Multi-brand strategy has proven to be a success. Cross-selling of broadband to existing mobile subscriber base remains on track.

- **As of February 27th, MASMOVIL Strengthened strengthened its network partnership with Orange including:**

Con formato: Superíndice

- Expanded the existing joint FTTH agreement by a minimum of 2 million incremental Business Units ("BU's") which will allow cost efficient extension of MASMOVIL's own FTTH footprint from currently 2.1 million to 6.5 million BU's over the next 2 years.
- Modifications and improvements to the existing wholesale bitstream contract for the usage of Orange's FTTH network covering more than 8 million BU's.
- Revisions to the terms of the current Site Sharing agreement including access to approximately 5,600 incremental mobile sites, giving MASMOVIL the option to cost effectively double the size of its own mobile network.
- Improvement of terms of the existing National Roaming agreement, which has been extended.
- Amendments to the current national Data Transmission agreement with improved unitary pricing, and reasonable minimum commitments.

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• Outstanding operational achievements

- Established MASMOVIL as a rational-high quality 4th player operator focused on innovation and customer experience
 - Leader in customer satisfaction.
 - Premium offer: fastest Fibre offer in market (1Gb), abundant data bundles, best mobile coverage.
 - Continuous ARPU increase (increase of FMC entry price levels and reduction of discounts).
- Smooth progress in integration
 - Network migration of Yoigo customers to new national roaming partner completed without meaningful customer impact.
 - Major front and back office integration completed on time with no disruption to commercial operations.
 - Launch of broadband under Yoigo and Pepephone brands.
 - Premium repositioning of Yoigo brand (*Pienso, luego Yoigo*).
 - Re-energized Yoigo store network.
- Focus on Digitization
 - Creation of an internal Digital Hub with top tier team.
 - Launch of new websites for Yoigo and Pepephone.
 - Automation of client interactions.
- Infrastructure optimization
 - Multiplied by >10 the size of FTTH footprint to 10.4 M BU's.
 - Increased mobile network by >300338 antennas for a total of close to 5,000 antennas.-
 - Won prizes-awards and special recognition for both mobile as well as FTTH networks⁽¹⁾

Con formato: Superíndice

Con formato: Fuente: 10 pto

(1) Best 2017 broadband operator by ADSL Zone (<http://bit.ly/2F24BhV>); Best 2017 fiber operator by Grupo Informático (<http://bit.ly/2HN7PnG>); Operator with the fastest fiber network in Spain by nPerf. (<http://bit.ly/2CDZ4J7>); Operator with the fastest 3G +4G aggregated network by Tutela (<http://bit.ly/2nH64QH>)

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- **2018 guidance announced reflects current operating momentum**

- Guidance is provided on a post IFRS15 basis. ~~However, an initial indication estimate~~ of guidance excluding the impact of IFRS15 is also provided ~~in order~~ to allow like for like comparison with 2017 results.
- 330M€ of Recurrent EBITDA on comparable terms to 2017, which is reduced through IFRS15 accounting adjustments to 300M€ as a consequence of the ~~growth profile of the company and new~~ revised treatment of convergent commissions (further detail in Section 5).
- 305M€ of Net Capex investment related to (1) the build out of FTTH own network by an additional 3M BU's at cost-effective terms as per the revised Orange agreements, (2) ~~plus~~ maintenance capex and (3) ~~s well as~~ capex devoted to strategic projects.

	2017 (Actual)	Pre-IFRS15 2018 Est. (Comparable with 2017)	Guidance 2018 (Adjusted for IFRS15)
Mobile post-paid + BB net adds	946k	>800k	>800k
Service revenues growth	+20%	>17%	>10%
Recurrent EBITDA	238M€	330M€	300M€
Net Capex (Infrastructure) ⁽¹⁾	125M€	c.305M€	c.305M€

	2017 (Actual)	Pre-IFRS15 2018 Est. (Comparable with 2017)	Guidance 2018 (Adjusted for IFRS15)
Mobile post-paid + BB net adds	946k	>800k	>800k
Service revenues growth	+20%	>15%	>10%
Recurrent EBITDA	238M€	330M€ (+38%)	300M€
Net Capex (Infrastructure) ⁽¹⁾	125M€	c.305M€	c.305M€

Note: Guidance for 2018 is provided just on a Post-IFRS15 basis

(1) Commercial capex linked to new clients is not part of the 2018 Capex Guidance as required Capex investment depends on the commercial performance of the Company

Source: Company

- **MASMOVIL publishes 2020 plan**

- Based on current market conditions, MASMOVIL targets Recurrent EBITDA of 460M€-480M€ by 2020, doubling the level of €238m achieved in 2017.
- Net Capex (Infrastructure) to normalize in 2020 to c.40% of the level of 2018 (post FTTH network roll-out).
- Revenue and Recurrent EBITDA estimate incorporates the impact of IFRS15

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2020	
Total Revenue growth	Double digit CAGR 18-20
Recurrent EBITDA	460-480M€
Net Capex	c.150M€

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Total Revenue growth	Double digit CAGR FY18-20
Recurrent EBITDA	460-480M€
Net Capex (Infrastructure)	c.150M€

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2. 2017 Review

FY17 was a strong year for MASMOVIL due to continued organic growth and tailwinds from integration synergies.

- **FY17 Financial Highlights:**
 - In FY17, the company delivered Service Revenues of 1,007M€ (+20% yoy) with Total Revenues of 1,301M€ (+16% yoy)
 - Recurrent EBITDA for the year reached 238M€ (+100% yoy).
- **4Q17 Financial Highlights:**
 - Service Revenues increased from 221M€ in 4Q16 to 271M€ (+23% yoy). The Q4 growth rate of +23% compares to an average of +20% yoy for the full financial year 2017.
 - Total Revenues increased from 300M€ to 352M€ (+17% yoy).
 - Recurrent EBITDA increased from 29M€ to 70M€ (+143% yoy) and the EBITDA margin increased to 19.8% in 4Q17 (vs 9.6% in 4Q16).
- **Subscribers:** MASMOVIL exceeded expectations for client acquisition and added 946k mobile postpaid and broadband lines in FY17. The operating momentum for client additions continues to accelerate and 4Q17 was the strongest quarter of the year with 324k net adds (c.34% of total FY17 net adds).

Table 2.1 – Key figures

	Units	FY16	FY17	Growth	4Q16	4Q17	Growth
Mobile postpaid	(M)	3.3	3.9	17%	3.3	3.9	17%
Mobile Prepaid	(M)	1.0	1.1	16%	1.0	1.1	16%
Broadband	(M)	0.1	0.5	313%	0.1	0.5	313%
Total number of lines	(M)	4.41	5.51	25%	4.41	5.51	25%
Total revenues	(M€)	1,120	1,301	16%	300	352	17%
Total service revenues	(M€)	838	1,007	20%	221	271	23%
Recurrent EBITDA ⁽¹⁾	(M€)	119	238	100%	29	70	143%
Margin	(%)	10.6%	18.3%		9.6%	19.8%	
Adjusted Net Income	(M€)	(37)	97	n.m.	(39)	52	n.m.
Adjusted EPS (fully diluted)	(€)	n.m.	2.90				
Net Debt excluding convertible debt	(M€)	336	265		336	265	
Leverage ⁽³⁾		2.8x	1.1x		2.8x	1.1x	
Shares Outstanding	(M)	20.0	20.0				
Fully Diluted Shares Outstanding ⁽²⁾	(M)	33.0	33.4				

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

⁽²⁾ Calculated based on number of shares outstanding plus conversion of outstanding convertibles and ESOP

⁽³⁾ Leverage for FY17 calculated by considering Recurrent EBITDA FY 2017 of 238€ and proforma Recurrent EBITDA of 119M€ for FY16.

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3. 2018 guidance

- After its strong performance in 2017, MASMOVIL expects to sustain its operating momentum and is pleased to provide the below guidance for operating results in 2018:
 - >800k total combined net increase in fixed broadband and mobile post-paid lines
 - >10% yoy growth of Service Revenues (>17.15% pre IFRS15)
 - 300M€ of Recurrent EBITDA.
 - The Company expects 330M€ of Recurrent EBITDA pre-IFRS15, with a 30M€ reduction of Recurrent EBITDA through implementation of IFRS15. This implies a 38.9% yoy growth of Recurrent EBITDA compared to 238M€ achieved in 2017.
 - The adjustments related to IFRS15 are neutral to Recurrent Cashflow from Operations (on a normalized basis and assuming a constant subscriber base). A detailed explanation of these changes is included in Section 5.
 - c.305M€ of Net Capex infrastructure investment related to the build out of FTTH own network by an additional 3M BU's at cost-effective terms as per the revised Orange agreements, plus maintenance capex as well as capex devoted to strategic projects.

The Company also provides an initial indication of 2018 Guidance on a pre-IFRS15 basis. This indication is provided to allow like for like comparison with 2017 results.

Table 3.1 – Summary of Guidance 2018

	2017 (Actual)	Pre-IFRS15 2018 Est. (Comparable with 2017)	Guidance 2018 (Adjusted for IFRS15)
Mobile post-paid + BB net adds	946k	>800k	>800k
Service revenues growth	+20%	>17%	>10%
Recurrent EBITDA	238M€	330M€	300M€
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Recurrent EBITDA	238M€	330M€ (+38%)	300M€
Net Capex (Infrastructure) ⁽¹⁾	125M€	c.305M€	c.305M€

⁽¹⁾ Commercial capex is excluded from Guidance as it depends on the commercial performance of the Company
Source: Company

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Net Capex for 2018

- **The Company plans to invest 385M€ Capex in FY18 to drive the continued expansion of the FTTH footprint and to accommodate its expected customer growth. Of the total Net Capex 13% or 50M€ is recurring infrastructure capex while 80M€ is commercial and the remaining 255M€ is non-recurring in nature**

Recurring Infrastructure Capex (50M€ or 13% of Total Net Capex)

- This represents the Capex investment required to maintain the existing operations across our fixed network, mobile network and IT systems.

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Con formato: Sangría: Izquierda: 2,51 cm, Interlineado: Múltiple 0,5 lín., Sin viñetas ni numeración

Non-Recurring Infrastructure Capex (255M€ or 67% of Total Net Capex)

- This represents the net Capex required for the build out of FTTH homes (net of IRUs paid by Orange) as per the latest revised Orange agreement. MASMOVIL is planning to expand its own FTTH footprint by 3M homes in 2018 which requires around 210M€ Net Fixed Network Capex (or approximately €70 / building unit).
- In addition, MASMOVIL plans to invest 45M€ in strategic transformation projects on IT, core networks etc. with attractive underlying business cases.

Commercial Capex (80M€ or 21% of Total Net Capex)

- The commercial Capex of 80M€ is required to onboard the estimated number of new clients ~~and includes and represents~~ capitalized ~~cost of~~ equipment, installation, logistics, etc.

Liquidity and Financial Resources

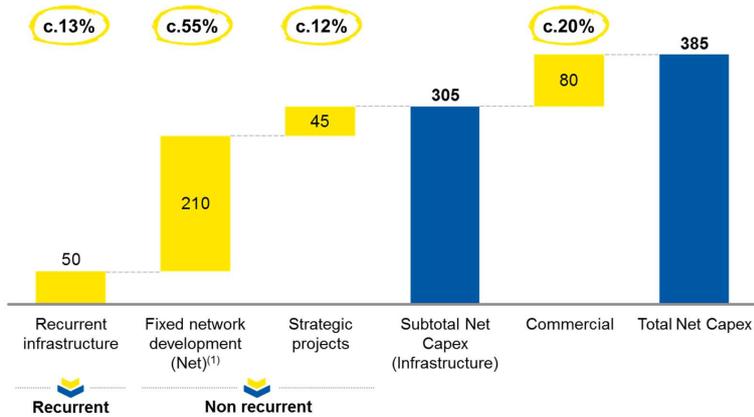
- Through a combination of cash on hand at the end of FY17 of 320M€, committed but undrawn credit facilities of approximately 200M€ and the expected cash flow generation in FY18, MASMOVIL has sufficient available liquidity to fund the 2018 capex plan while maintaining a Debt/EBITDA ratio in the range of 2x (excluding convertibles).

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Table 3.2 – 2018 Capex Guidance Breakdown

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(1) Net of the sale of IRU's

(2) Estimate since commercial capex will depend on Company's growth. Note that around 55M€ of commissions are now not considered as Capex under IFRS15.
SOURCE: Company

4. Medium-term plan

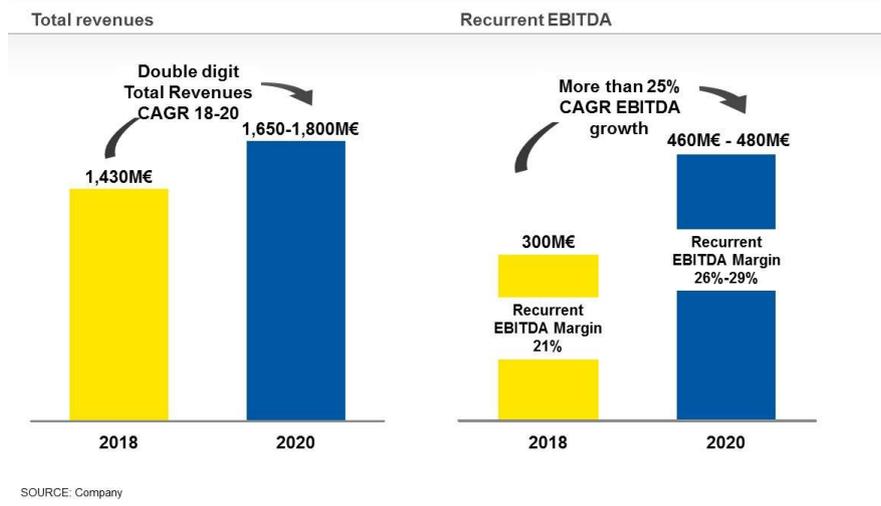
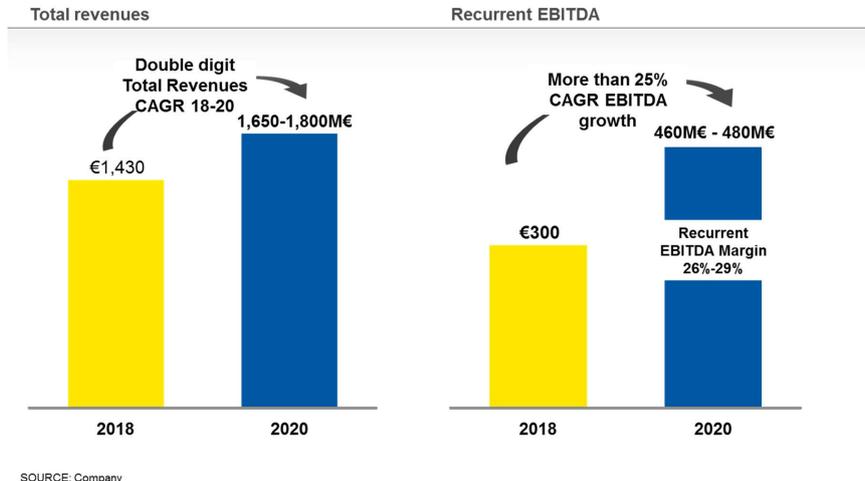
MASMOVIL's medium-term (3 year) financial plan incorporates the benefits of the Company's Capex investment into the continued roll-out of own network infrastructure (FTTH own BU's and mobile network expansion).

Key highlights:

- Continued double digit total revenue growth through 2020 (based on like-for-like accounting policies).
- 2020 Recurrent EBITDA target of above 460M€ implies that MASMOVIL will double its EBITDA relative to 2017.
 - The continued high growth reflects the operating momentum and the expected ROI on the Company's infrastructure capex investment, including an increasingly higher proportion of our broadband customers residing on MASMOVIL's own FTTH network.
 - As a result, the Recurrent EBITDA margin is expected to exceed 25% by 2020.

Table 4.1 – Mid-term Total Revenues and Recurrent EBITDA plan

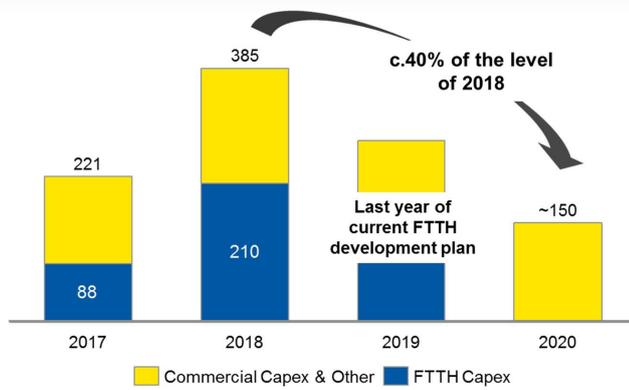
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- As far as Capex is concerned, 2018 will be a peak year in terms of both Net Capex (385M€) and Capex deployed to grow / maintain the Company's infrastructure (305M€).
- We expect that the Company's Net Capex will most likely normalize by 2020 to around approximately 40% of the 2018 levels.

Table 4.2 – Mid-term Net Capex plan



Note: Net Capex includes Commercial Capex, the final size of which will depend on the commercial performance of the Company
SOURCE: Company

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5. Implementation of IFRS15

- **Starting from the 1st of January 2018 the Group will adopt the new standard IFRS15 for revenue recognition**

The Group has elected to utilize the Modified Retrospective approach for the implementation of IFRS15. This means that the Company will reflect the appropriate adjustments in the 2018 opening balance sheet and going forward all financial accounts will reflect the implementation of the new standard.

Under IFRS15, handset subsidies and certain other discounts are reclassified as contra-revenue items rather than operating expenses. This is estimated to reduce 2018 revenues by approximately €70 million when compared to 2018 pre IFRS15 implementation. The impact on Recurrent EBITDA is de minimis.

Masmovil capitalizes certain commissions paid for convergent client acquisition. Such capitalized amounts were [previously](#) amortized over a 4 year period and charged to amortization expense. Under IFRS15, the amounts will [be](#) charged into the P&L [above EBITDA](#) as deferred expenditure over 2 years. This is expected to reduce respectively EBITDA and Net income by approximately €30 million and €11 million in 2018 when compared to prior accounting standards.

The impact on operating cash flow (EBITDA minus Capital Expenditure) will be neutral on a normalized basis and assuming a constant subscriber base. The final impact will ultimately depend on the growth achieved by the Company for the full year 2018, the client mix, subsidy and discount levels and the volume of handset sales and could differ from MASMOVIL's initial estimates.

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6. Operational and Financial Review

- **+20% Proforma Service Revenue growth in FY17, +23% in 4Q17**
 - Service Revenues grew to 1.007M€ (+20% yoy) in FY17 and accounted for 77% of the Group's total revenues.
 - Other Revenues are comprised of equipment and wholesale revenues with limited gross profit contribution growing +4% yoy (+2% in 4Q17 yoy).

Table 6.1 – Revenue split

(Million €)	FY16	FY17	Growth	4Q16	4Q17	Growth
Service Revenues	838.0	1,007.0	20%	221.2	271.3	23%
Other Revenues	282.0	294.1	4%	79.1	80.6	2%
Total Revenues	1,120.0	1,301.0	16%	300.3	351.8	17%
Net Revenues⁽¹⁾	860.0	1,038.2	21%	225.1	280.0	24%

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

Source: Company

- **Client evolution**

Table 6.2 – Customer base

Number of lines (million)	FY16	FY17	Dif	Growth
Mobile postpaid	3.34	3.90	0.56	17%
Mobile prepaid	0.95	1.10	0.15	16%
Total Mobile Only	4.29	5.00	0.71	17%
Broadband	0.12	0.50	0.38	313%
Total lines	4.41	5.51	1.10	25%

Source: Company

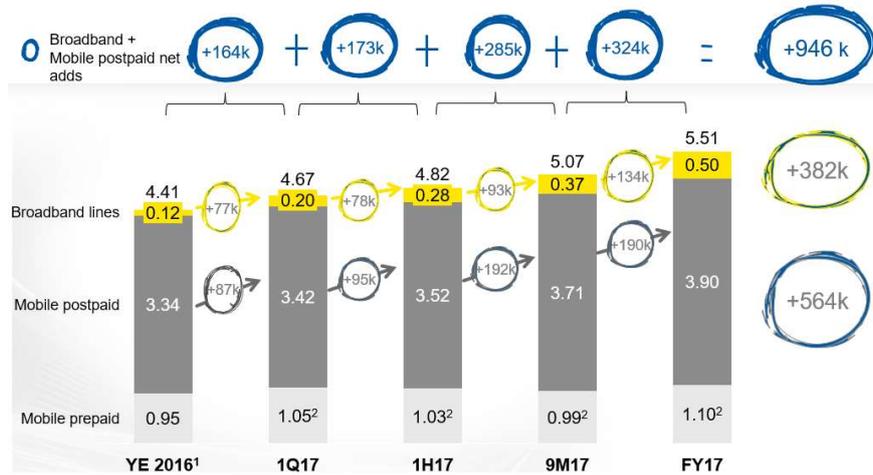
- At the end of FY17, the Group had 5.51M total lines, +25% vs FY16.
- Mobile postpaid and broadband lines totaled 4.4M at the end of FY17, +27% vs FY16.
- Multi-brand strategy has proven to be a success. Cross-selling of broadband to existing mobile subscriber base remains on track.

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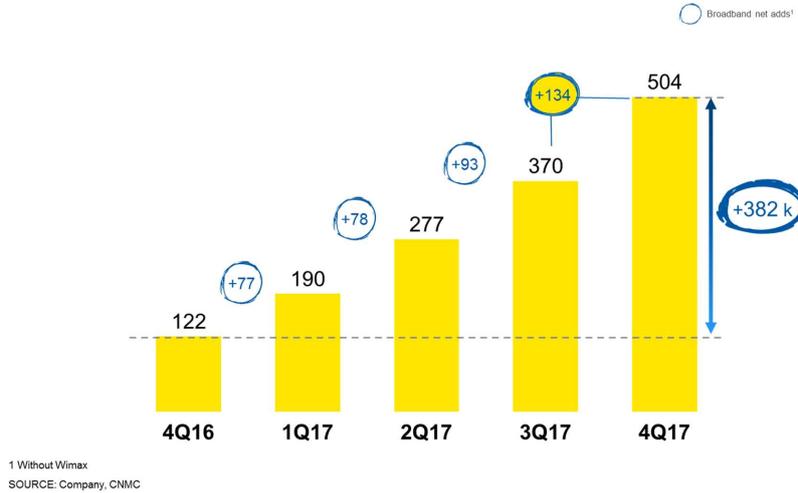
Chart 6.1 – Quarterly evolution of mobile postpaid and broadband lines



- Mobile business: +17% growth in post-paid lines**
 - As of the end of FY17 the Group had 3.9M post-paid clients, an increase of 564k lines or 17% vs FY16 (proforma).
 - The use of the different brands of the Group (MASMOVIL, Yoigo, Pepephone and Llamaya) allows the Company to target different market segments efficiently. In 2017 this enhanced our ability to attract new mobile subscribers.
- Broadband momentum continues to accelerate**
 - The Group attracted 382k new broadband lines during the year, resulting in a total of 504k broadband lines at the end of FY17.
 - The performance of Broadband net adds accelerated during the fourth quarter with 134k new adds vs. 77k in 1Q17, 78k in Q2, and 93k for 3Q17.

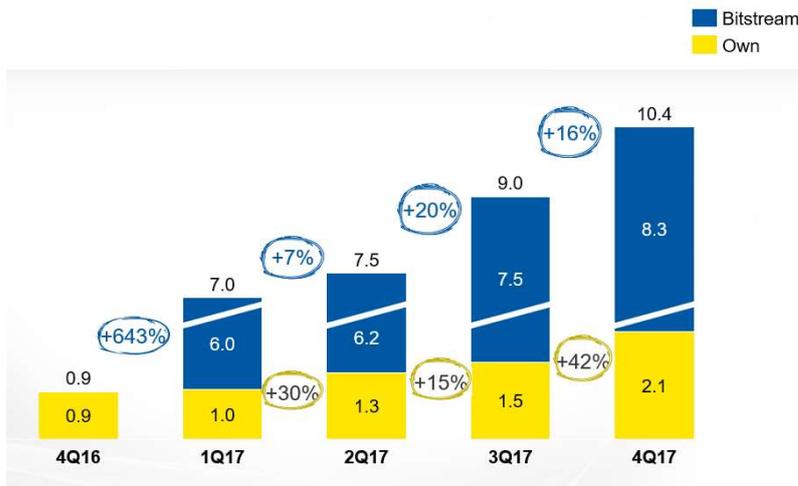
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Chart 6.3 – Broadband accesses evolution proforma (thousands)



- **FTTH Network:** MASMOVIL grew its FTTH footprint to 10.4 million building units (BUs) as of FY17.
 - This represents a growth of c.12 times compared to 4Q16.
 - At the end of FY17, MASMOVIL's fixed network reached 19.4 million BU's with broadband, of which 10.4 million based on fiber technology. Of the 10.4 million, 2.1 million building units are own development (including the mutualized BU's) and the remaining 8.3 million are accessible through the bitstream agreement with Orange.

Table 6.4 – FTTH footprint (Million BU's)



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7. Analysis of the Consolidated Profit and Loss Account

Table 7.1 – Summarized P&L

(Million €)	2016 ⁽¹⁾	FY17	Growth	4Q16 ⁽¹⁾	4Q17	Growth
Service Revenues	838.0	1,007.0	20%	221.2	271.3	23%
Revenue	1,120.0	1,301.0	16%	300.3	351.8	17%
Other operating revenue	5.4	32.1	<i>n.m.</i>	1.4	10.0	<i>n.m.</i>
Cost of sales	(889.1)	(977.9)	10%	(240.0)	(263.3)	10%
Other operating expenses	(117.6)	(117.1)	0%	(33.0)	(28.9)	-13%
Recurrent EBITDA	118.8	238.1	100%	28.7	69.7	143%
Net one Offs	(30.6)	(22.5)	-27%	(26.5)	1.7	<i>n.m.</i>
Reported EBITDA	88.2	215.6	<i>n.m.</i>	2.2	71.4	<i>n.m.</i>
Depreciation and amortization	(106.6)	(123.6)	16%	(39.6)	(33.1)	-16%
Reported EBIT	(18.4)	92.0	<i>n.m.</i>	(37.3)	38.3	<i>n.m.</i>
Net financial expenses ³	(26.2)	(233.9)	<i>n.m.</i>	(12.8)	(46.0)	<i>n.m.</i>
Reported Profit before taxes	(44.6)	(141.8)	<i>n.m.</i>	(50.2)	(7.8)	<i>n.m.</i>
Income tax	4.8	39.1	<i>n.m.</i>	10.7	53.1	<i>n.m.</i>
Reported Net Income/(Loss)	(39.8)	(102.8)	<i>n.m.</i>	(39.4)	45.3	<i>n.m.</i>
Sum of the "Adjustments"	3.2	199.4	<i>n.m.</i>	-	6.2	0%
Adjusted Net Income/(Loss)²	(36.6)	96.6	n.m.	(39.4)	51.5	n.m.

(1) Proforma.

(2) Please see detailed explanation below.

(3) Including negative impact of 141M€ of non-cash accounting charges for ACS convertible.

Source: Company.

- **FY17 recurrent EBITDA grew +100% yoy to reach 238M€**
 - Recurrent EBITDA margin expanded from 10.6% in FY16 to 18.3% in FY17.
 - 4Q17 Recurrent EBITDA grew +143% YoY to reach 70M€ representing a continued acceleration of the operating momentum.

- **22M€ Net one-off costs in FY17**
 - These costs related to the migration of the different national roaming contracts, one-off integration costs and the gain on the sale of mobile sites in December 2017.

- **Adjusted net income reached 97M€ for FY17**

Positive net income of 97M€ after adjusting for one-offs and other non-business-related accounting charges:

 - The negative accounting non-cash impact of the ACS convertible amounted to 142M€, most of them already accounted for in 1H17.

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- Net operative one offs reached 22M€ in 2017, and financial one-offs reached 4M€
- The amortization of acquired customer base & brand totaled 21M€.
- 7M€ charges linked to the long-term incentive plan for management and the increase in MASMOVIL's share price in 2017.
- The interest on the Providence and the ACS convertible summed up to 22M€.
- Finally, tax impact of the adjustments amounted to 19M€.

Adjusted EPS reached 2.90€, on a fully diluted basis, considering 33.4 million fully diluted shares (including the conversion of both Providence and ACS convertibles and the Group's ESOP plan under the equity method).

Table 7.2 – Adjusted Net Income and EPS

<i>(Million €) (except EPS)</i>	FY17
Reported Net Income/(Loss)	(102.8)
Accounting impact of ACS convertible	142.0
Reported Net Income excl. ACS convert	39.2
Operative One-offs	22.5
Financial One-offs	3.6
Amortization of acquired customer base & brand	21.0
Management incentive plans (SAR)	7.4
Interest on Providence and ACS convertibles	22.0
Tax impact of "Adjustments"	(19.1)
Adjusted Net Income/(Loss) fully diluted	96.6
Fully diluted number of shares (million)	33.4
Adjusted EPS (fully diluted) (€)	2.90

- **Agreement with ACS regarding ACS convertible**

The FY17 income statement includes a non-cash charge of 142M€ linked to the ACS convertible. This convertible was considered to be a hybrid instrument under IFRS rules and accordingly any increase in the market value of the shares underlying the convertible was charged to earnings. This accounting treatment under IFRS rules was different to that applied for the Providence convertible, which is not considered to be a hybrid instrument.

On July 13th, 2017 the Company re-negotiated the terms of the ACS convertible so that the accounting treatment under IFRS will be consistent between both convertible instruments. As a result, post July 13th, 2017 and with CNMV approval, there has been no further non- cash financial charges and the Company has re-classified as shareholders equity in the 3Q17 accounts a total of 150M€, thereby increasing book equity and reducing financial debt.

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8. Analysis of the Consolidated Balance Sheet

Table 8.1 – Consolidated Balance Sheet

(Million €)	Reported 2016	Reported 2017	Variance
Non current assets	1,425.5	1,566.1	140.6
Intangible assets	737.3	823.6	86.3
Property, plant and equipment	403.9	462.9	59.0
Other non current assets	48.5	35.3	-13.3
Deferred tax assets	235.8	244.4	8.6
Current assets	437.3	527.2	89.9
Inventories	1.6	0.4	-1.2
Trade and other receivables	191.6	200.4	8.8
Other current assets	8.0	6.2	-1.8
Cash and cash equivalents	236.1	320.1	84.0
Total assets	1,862.8	2,093.4	230.6
(Million €)	Reported 2016	Reported 2017	Variance
Equity	255.6	303.1	47.5
Share capital	1.9	2.0	0.1
Additional paid in capital	246.7	246.7	0.0
Reserves and other equity instruments	7.0	54.4	47.4
Non-current liabilities	931.6	1,069.9	138.3
long term debt	502.0	534.4	32.4
Other financial non-current liabilities	182.0	298.3	116.3
Provisions	101.2	89.4	-11.8
Other non-financial non-current liabilities	87.1	119.0	31.9
Deferred tax liabilities	59.4	28.9	-30.5
Current liabilities	675.5	720.4	44.9
Current portion of long term debt	144.0	62.4	-81.6
Other financial current liabilities	108.5	41.5	-67.0
Provisions	39.2	7.1	-32.1
Trade and other payables	383.8	609.4	225.6
Other non-financial current liabilities	0.0	0.0	0.0
Total equity and liabilities	1,862.8	2,093.4	230.6

Source: Company

- **Net debt of 265M€ (excluding convertibles) equivalent to leverage of 1.1x**

The Group's net debt excluding the outstanding convertibles was 265M€ and 519M€ including convertibles at the end of FY17.

Net Debt excluding outstanding convertibles is considered to be the most relevant benchmark as both the Providence and the ACS convertibles are "deep in the money" with strike prices at €22.00 and €41.67 respectively, well below the current share price.

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Table 8.2 – Financial net debt calculation FY17

(Million €)	FY16	1H17	9M17	FY17	FY17-9M17
Short term commercial paper	30	30	25	16	(9)
Senior debt	347	341	342	407	65
Bonds	57	98	96	33	(62)
Junior debt	96	101	102	106	4
Providence convertible	102	108	111	115	4
ACS convertible	144	289	140	139	(2)
Other debts	41	26	32	23	(9)
Cash & Equivalents	(236)	(203)	(216)	(320)	(104)
Net debt as per Company	582	790	631	519	(112)
Providence convertible	(102)	(108)	(111)	(115)	(4)
ACS convertible	(144)	(289)	(140)	(139)	2
ND per Company excl. Converts	336	393	380	265	(115)
Leverage (x Recurrent Ebitda)	2.8	1.9	1.7	1.1	

1) Leverage calculated as Net debt excluding convertibles divided by annualized Recurrent EBITDA (1Q17x4 for 1Q17 or 180M€, 1H17x2 for 1H17 or 208M€, 9M17/3x4 for 9M17 or 224M€ and real FY17 Recurrent EBITDA for FY17 or 238M)

Source: Company

- **MASMOVIL completed a refinancing of the senior facility in Q4 2017 to improve its financial flexibility, reduce costs and provide an additional line for future capex investments**
 - Key highlights of the refinancing are:
 - Increase in the financial flexibility for the Group to pursue potential investments in its fixed and mobile infrastructure by introducing a new tranche where we can draw up to 150M€ for capex investments.
 - Extension of the average life of the debt under the SFA by approximately 12 months.
 - Reduction of the overall interest costs.
 - Additionally, a tender offer of MASMOVIL Broadband, S.A. projects bonds was successfully completed around the end of the year end with all the 68M€ nominal value worth of such bonds being repurchased.
 - All the covenants of the different financial instruments were met comfortably
- **Leverage Ratio** further decreased to 1.1x at the end of FY17 (vs. 2.8x at the end of FY16).
 - The positive impact in Net Debt from the increase in cash due to net working capital (97M€) will partially reverse during the first part of 2018.

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9. Analysis of Cash Flow

• Net Capex: 221M€

- The Company's FTTH own network increased from the 0.9M BU's reported at the end of 2016 to 2.1M BU's at the end of 2017. ~~The associated capital expenditure was thanks to a net investment of 88M€ during the year~~ (resulting in an average build-out cost ~~around of 70€) per BU.~~

At the end of 2017, the total fixed footprint reached 10.4 million building units, including the footprint from third party networks.

- ~~In addition to the above,~~ Recurrent Infrastructure Capex totaled 33M€ during the period. ~~Accordingly, MASMOVIL invested~~
- ~~The above implies~~ 121M€ of capex ~~invested~~ in 2017 dedicated to the extension and improvement of MASMOVIL's ~~its~~ infrastructures.
- Customer related capex represented 100M€, ~~–€ in 2017 which is directly associated in direct relation~~ with the Company's gross adds acquired during the year.

~~It is worth mentioning that t~~The final Total Net Capex figure of 221M€ for 2017 is slightly ahead of the Company's initial expectations, due to the better than expected performance of both the development of MASMOVIL's fixed network as well as the commercial success of its broadband offer over the last part of the year.

Con formato: Fuente: (Predeterminada) Arial

Con formato: Fuente: (Predeterminada) Arial

Con formato: Fuente: (Predeterminada) Arial, (ninguno)

Table 9.1 – Capex split (after taking into account the sale of IRU's)

(Million €)	FY17
Net fixed network buildout	88
Recurrent infrastructure	33
Subtotal	121
Customer capex	100
Total Net Capex	221

(Million €)	FY17
Net fixed network buildout	88
Recurrent infrastructure	33
Subtotal	121
Customer capex	100
Total Net Capex	221

Source: Company

- ~~Net Capex of 221M€ turns into 117M€ of effective cash outflow in the year as some of the cash outflow has been delayed to 2018.~~

Con formato: Sin Resaltar

- ~~After adjusting the Company's Capex cash out flow of 117M€ for One Off Capex inflow (46M€ related to the sale of mobile sites completed at the end of the year), Cash Capex for 2017 is reduced to 73M€.~~

Con formato: Sin Resaltar

• Cash Flow from Operations: 210M€

- In FY17, the Net Working Capital variation related to operations resulted in an inflow of 97M€ due to timing effects of certain payments. In addition, the

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- Company had 104M€ of positive working capital variation due to the timing of payments related to the FTTH expansion program.
 - MASMOVIL also had a cash inflow of 44M€ in FY17 which was mainly due to the divestment of mobile towers.
 - After adjusting for interest expense of 44M€ and provisions / taxes of 8M€, On a recurrent basis, the Group MASMOVIL generated in FY17 a total of 210283M€ of Cash Flow from Operations in FY17, (after interest payments, but before Capex).
- In FY17, cash outflow from Capex was 117M€ before one-offs.
 - Therefore, The Company has achieved in 2017 a total of 166M€ Recurrent Cash Flow from operations.
 - Cash Flow from Operations, after accounting for the extraordinary mobile site divestment reached 210M€ in the year.

- Con formato: Sin Resaltar
- Con formato: (ninguno), Sin Resaltar
- Con formato: (ninguno), Sin Resaltar
- Con formato: Sin Resaltar
- Con formato: Fuente: (Predeterminada) Arial, (ninguno), Sin Resaltar
- Con formato: Sin Resaltar

Table 9.3 – Cash Flow from Operations

Con formato: Inglés (Estados Unidos), Sin Resaltar

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(Million €)	FY17
Recurrent EBITDA	238
Adjustments Non-cash	(8)
Working capital variation	97
Financial expenses cash out	(44)
Recurrent CF from operations before Capex	283
Net Capex	(221)
Cash outflow delayed	104
Cash Outflow from Recurrent Capex	(117)
Recurrent CF from operations	166
Mobile site divestment	44
Cash Flow from operations	210

(Million €)	FY17
Recurrent EBITDA	238
Adjustments Non-cash	(8)
Working capital variation - Operations	97
Working capital variation - FTTH Payment	104
Divestment of Mobile Sites	44
Financial expenses cash out	(44)
Net Capex	(221)
Cash Flow from Operations	210

(Million €)	FY17
Recurrent EBITDA	238
Adjustments Non-cash	(8)
Working capital variation - Operations	97
Working capital variation - FTTH related	104
Divestments	44
Financial expenses cash out	(44)
Net Capex	(221)
Cash outflow delayed	210

Source: Company

Con formato: Sin Resaltar

Con formato: Sin Resaltar

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10. Relevant issues following the closing of the period

On January 3rd, 2018 MASMOVIL ~~BROADBAND, S.A.U (“MMBB”)~~ announced that the tender offer ~~addressed made~~ to all ~~the~~ holders of the senior secured bonds ~~of MASMOVIL BROADBAND, S.A.U (“MMBB”)~~ in an aggregate principal amount of 68M€ was accepted by all bondholders. ~~Consequently, MMBB proceed with the amortization of the mentioned bonds~~ ~~The bonds were accordingly repurchased and amortized.~~

On January 23th, 2017, Providence announced the sale of 2.8 million shares of MASMOVIL, representing c.8% of the fully diluted shares, or 14% of the shares outstanding. The sale took place through an accelerated book building process (ABB). ~~The transaction has been priced at 87.75€ implying a 5% discount versus the previous closing price.~~ After the ~~deal~~ sale, Providence ~~still continues to hold~~ 76% of its initial stake, which corresponds ~~with to~~ around 27% of the Company's fully diluted shares. Providence will ~~keep retain~~ its two seats ~~in on~~ the MASMOVIL Board.

On February 27th, MASMOVIL announced that comprehensive agreements were signed with Orange Espagne, S.A. Sociedad Unipersonal and Orange España Comunicaciones Fijas, S.L., Sociedad Unipersonal. (“Orange”).

~~Orange and MASMOVIL have~~ agreed to expand their existing FTTH co-investment framework and share Capex for the build out ~~of an of 4.4M~~ additional 2.0 FTTH BU's ~~as well as maintenance Opex.~~ Therefore, MASMOVIL expects to increase its own FTTH footprint ~~from 2.1M~~ to 6.5M BU's over the next 2 years: Total required network net investment for the future build-out is approximately 330M€ (or €75 per FTTH home), which results in relevant Capex saving for the 4.4M incremental BU's relative to a standalone scenario. The new agreement also includes the sharing of network maintenance Opex and includes a volume-based reduction of unitary pricing which will materialize over the coming years.

Con formato: Fuente: (Predeterminada) Arial

Con formato: Párrafo de lista, Sangría: Izquierda: 0,63 cm, Sangría francesa: 0,32 cm, Espacio Después: 6 pto, Con viñetas + Nivel: 4 + Alineación: 4,44 cm + Sangría: 5,08 cm

Con formato: Fuente: (Predeterminada) Arial

~~MASMOVIL has also revised the economic terms of its FTTH bitstream wholesale agreement with Orange which provides access to 100% of Orange's FTTH network. Growth restrictions which had existed in the previous contract, such as the subscriber limitation of 250K in unregulated areas, have been eliminated.~~

Con formato: Párrafo de lista, Sangría: Izquierda: 0,63 cm, Sangría francesa: 0,32 cm, Espacio Después: 8 pto, Con viñetas + Nivel: 4 + Alineación: 4,44 cm + Sangría: 5,08 cm

~~MASMOVIL's revised its Mobile Site Sharing and National Roaming agreements with Orange resulting in improved terms, extending the latter of the existing site sharing and roaming agreement. It~~ ~~The revised agreement~~ creates an option to double the size of MASMOVIL's mobile network ~~at on~~ cost-efficient terms through active and passive infrastructure sharing in up to 5.600 sites. This option can be exercised over the next 5 years. If the full program were to be implemented, the total investment requirement would be approximately 50M€ cumulative CAPEX over 2018-2022, which implies relevant Capex savings (vs. 30-40k€/site of a standard deployment) and of ca. one third in terms of annual Opex reduction relative to a standalone solution.

Con formato: Párrafo de lista, Numerado + Nivel: 3 + Estilo de numeración: 1, 2, 3, ... + Iniciar en: 1 + Alineación: Izquierda + Alineación: 3,49 cm + Sangría: 4,13 cm

Con formato: Párrafo de lista, Sangría: Izquierda: 0,63 cm, Sangría francesa: 0,32 cm, Con viñetas + Nivel: 4 + Alineación: 4,44 cm + Sangría: 5,08 cm

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- Finally, the revised agreement will leverage Orange's investments and network reach in a cost-efficient manner for MASMOVIL, resulting in a reduction of unitary transmission costs and avoidance of significant own transmission investments, with reasonable minimum commitments.

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11.Disclaimer

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Recipients of this document are invited to read our consolidated financial statements and consolidated management report for the year 2017 submitted to the Spanish National Securities Market Commission.

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