1H17 Earnings Presentation

September 2017 | Madrid

Key Highlights

Strong growth continues
2Q17 Service Revenue +19%, accelerating vs 1Q17. EBITDA +87% for 1H17

Convergent bundle demonstrating continued momentum
78k broadband lines added in 2Q17, reaching 277k at end of June

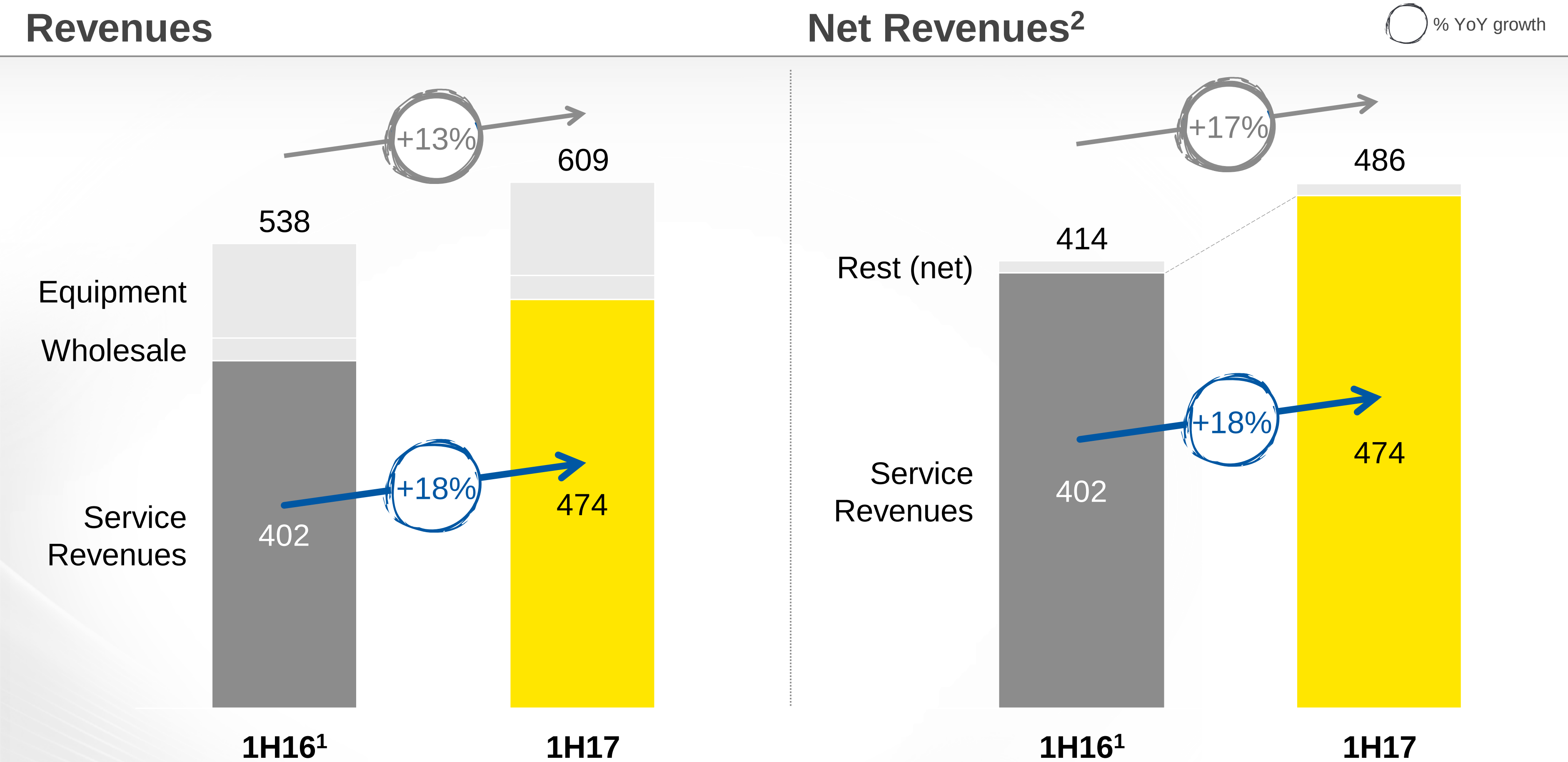
Mobile postpaid + broadband lines growing by 337k in 1H17

Healthy balance sheet
Leverage down to 1.9x on annualized EBITDA (excluding convertibles);
ACS convertible restructuring reduces accounting volatility

Increased confidence in full-year guidance for 2017
Recurrent EBITDA expected to be more than 200M€

Service revenues 1H17

Service revenues +18%, Total revenues +13% and Net revenues +17% yoy
1H16-1H17; €M



1 Proforma
2 Net Revenues: Service revenues plus gross profit contribution from Equipment and Wholesale revenue

SOURCE: Internal Information

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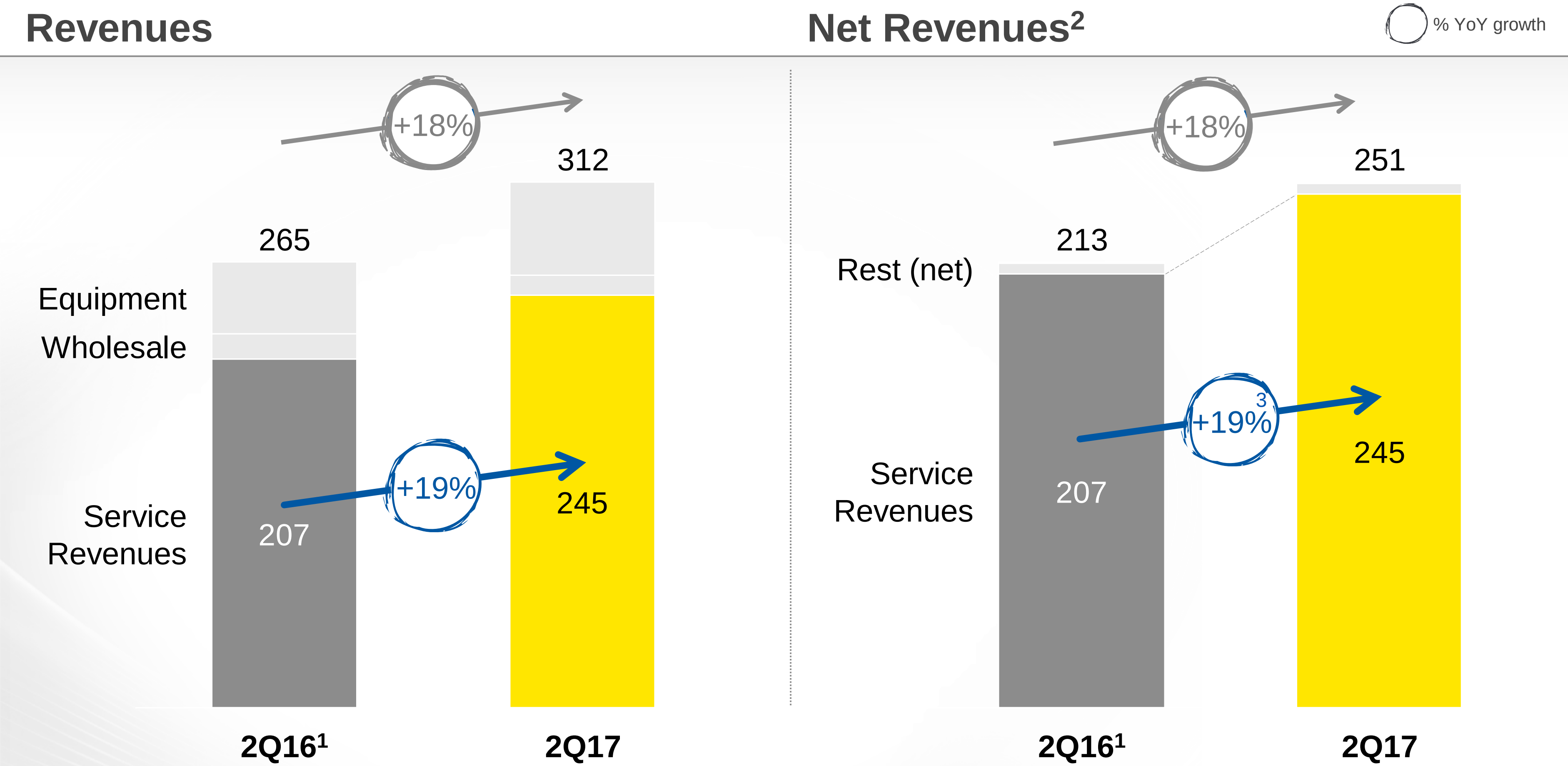
Service Revenues 2Q17

Service revenues +19%, Total revenues +18% and Net revenues +18% yoy
2Q16-2Q17; €M



1 Proforma
2 Net Revenues: Service revenues plus gross profit contribution from Equipment and Wholesale revenues
3 1Q17 YoY Growth was 17%

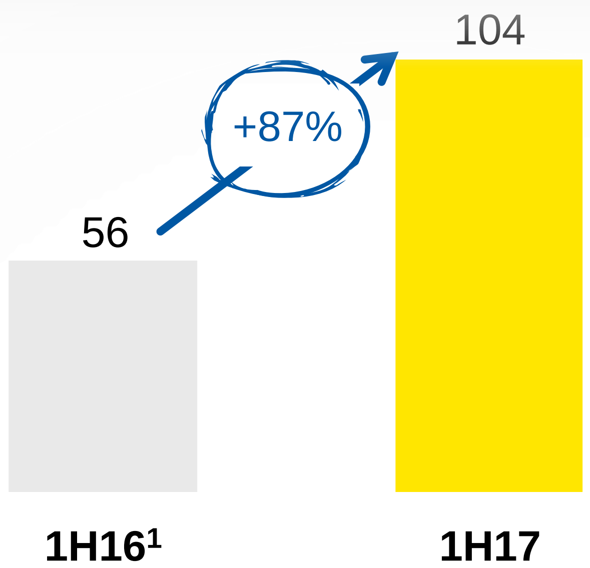
SOURCE: Internal Information

Recurrent EBITDA growth

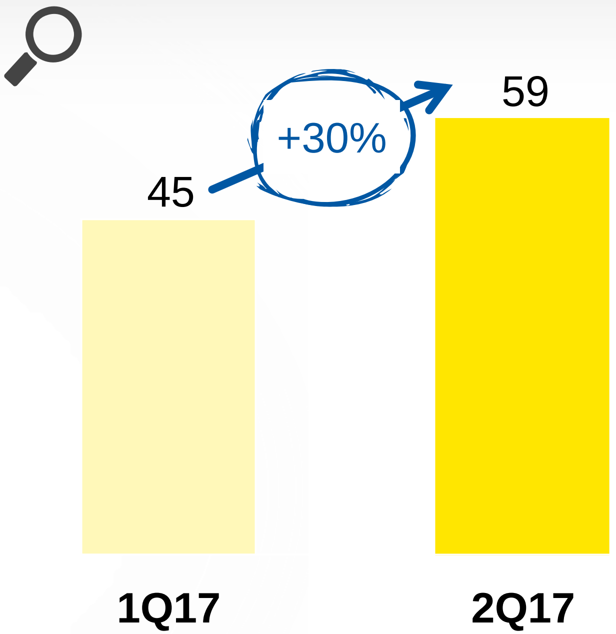
Operating momentum, synergies and NRA savings driving EBITDA margin to 19% for 2Q17

€M

Evolution by Half - Year



Evolution by Quarter



	1H16[1]	1H17	1Q17	2Q17
Recurrent EBITDA Margin	10%	17%	15%	19%

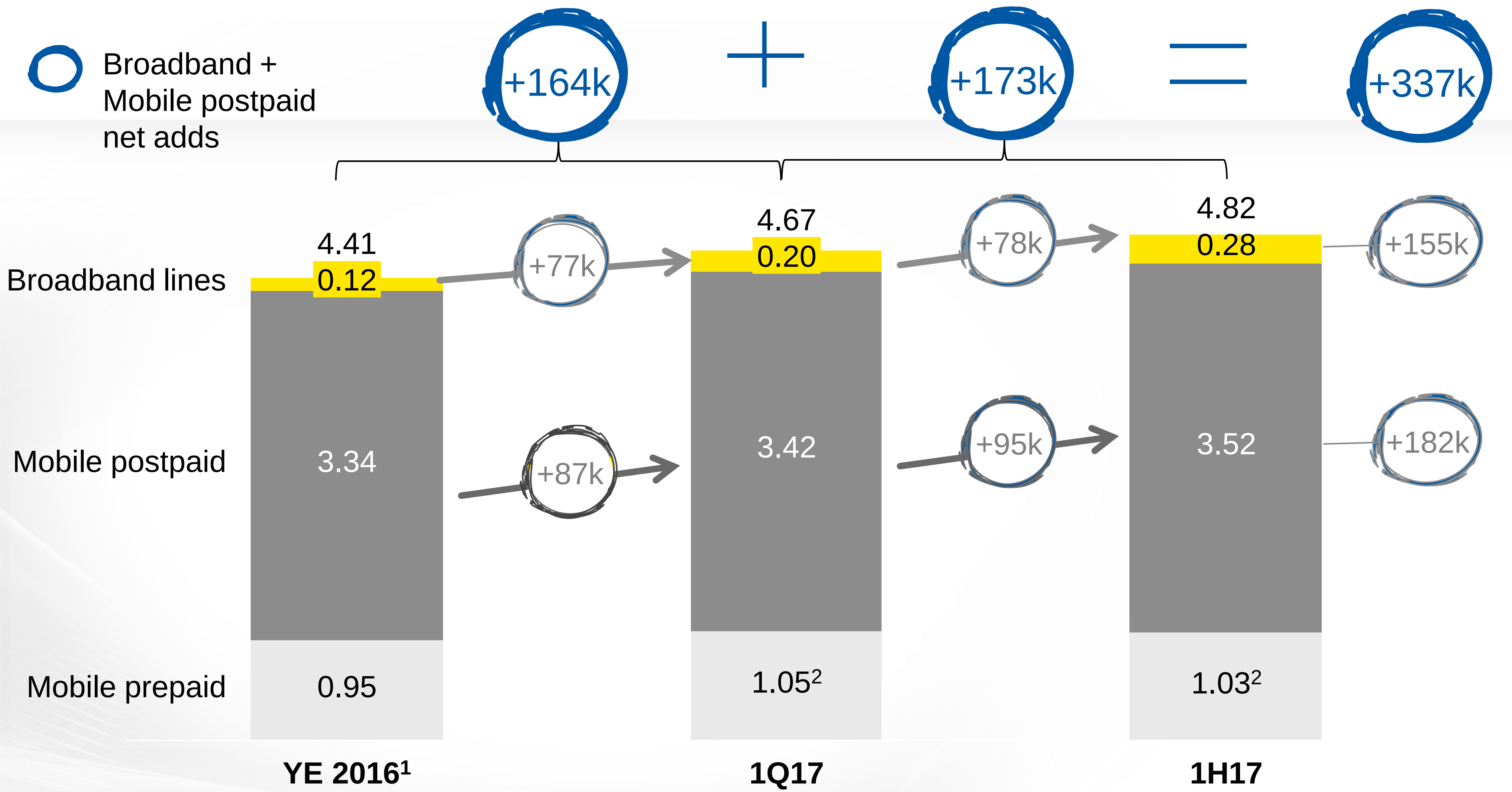
1 Proforma

SOURCE: Internal Information

Evolution of mobile postpaid + broadband lines

Broadband and postpaid lines up by 337k in 1H17 with slight acceleration in 2Q17 vs 1Q17

Million lines



1 Proforma

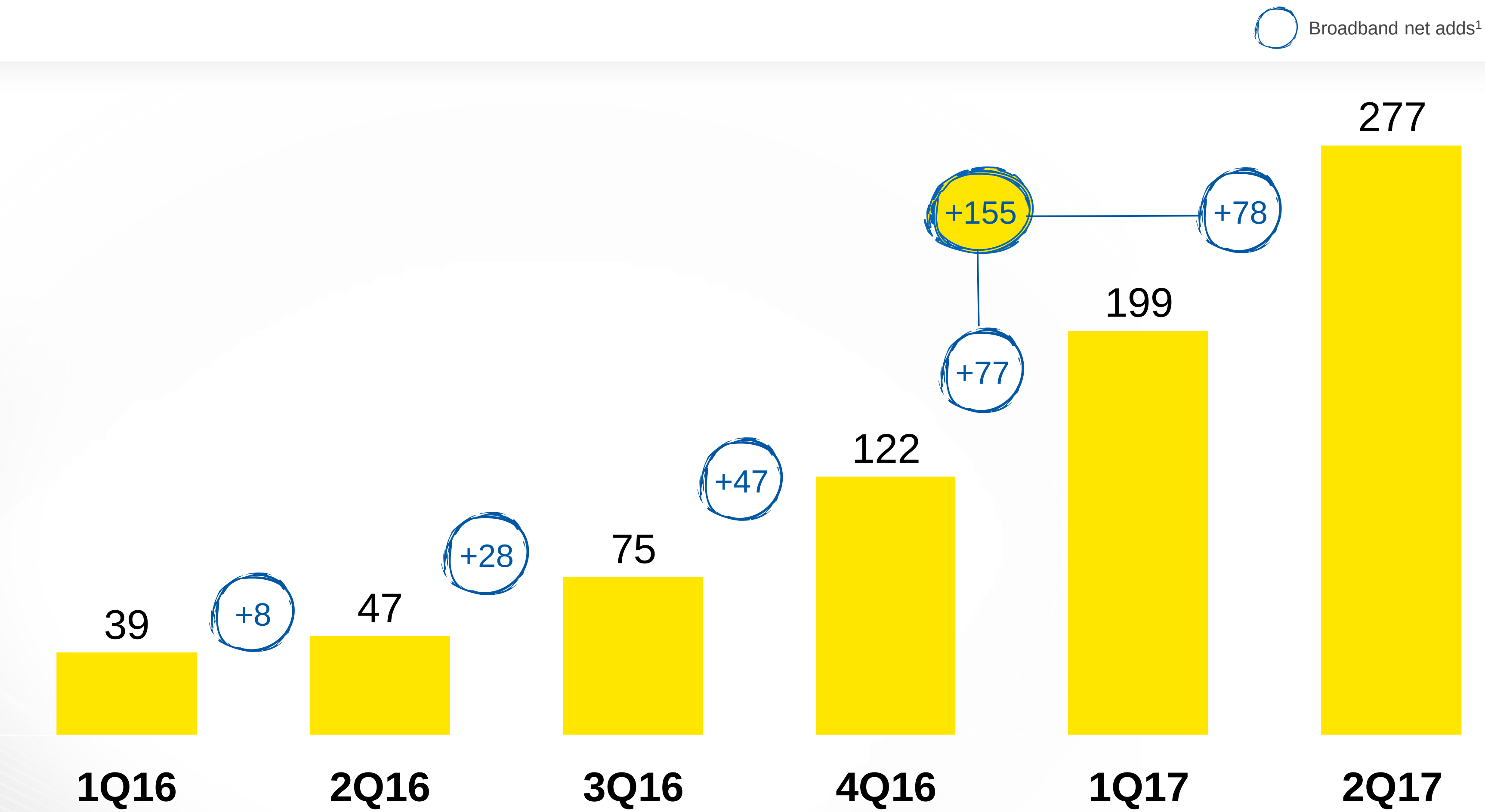
2 Includes Llamaya (ethnic MVNO)

SOURCE: Internal Information, CNMC

Growth in broadband lines

Added 155k net broadband lines in 1H17

Quarterly evolution 1Q16-2Q17; ‘000 lines



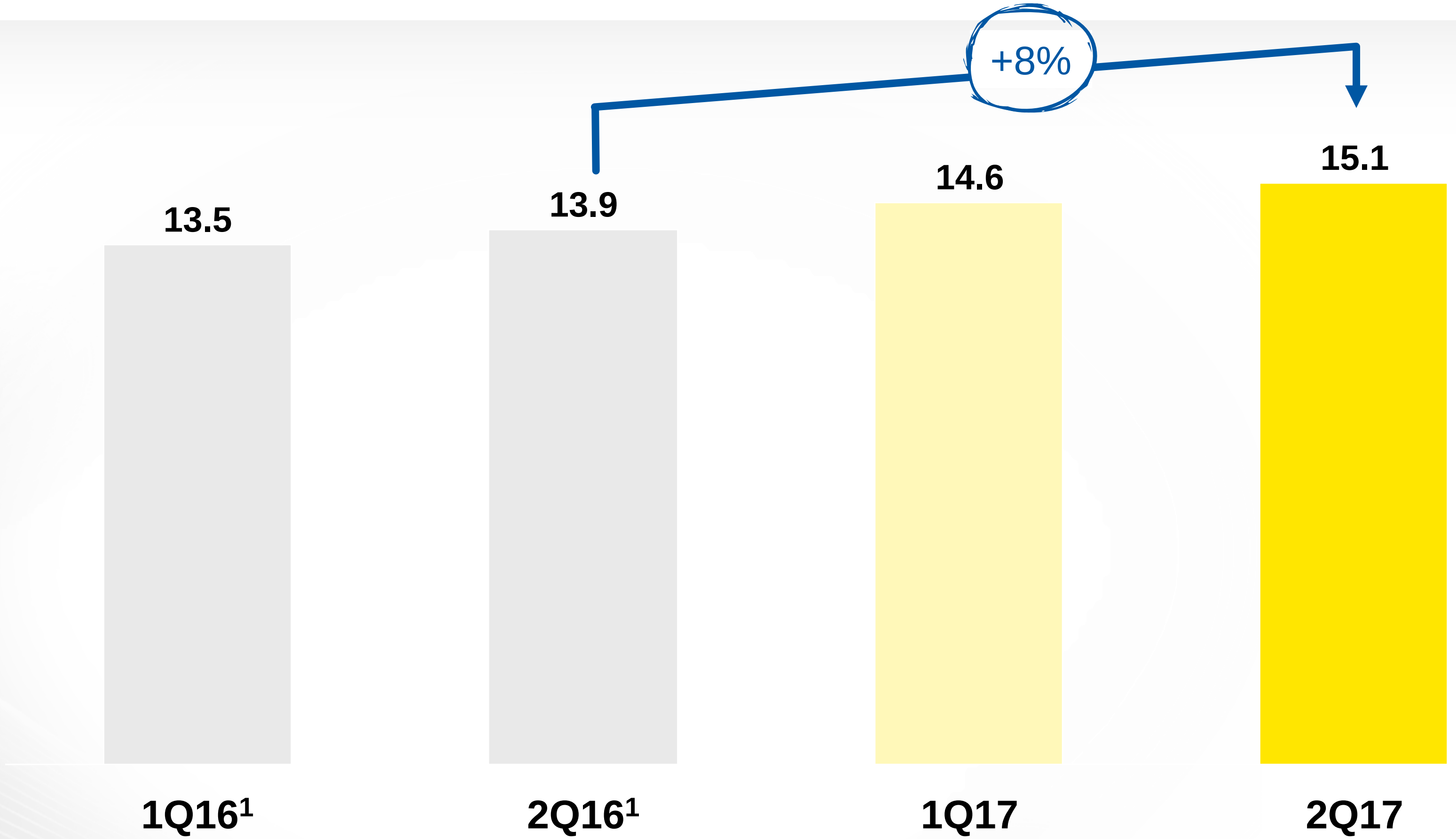
1 Without Wimax

SOURCE: Internal Information, CNMC

Growth of blended billed ARPU

Blended billed ARPU +8% yoy driven by upselling of broadband and increased data demand in mobile

1Q16-2Q17; €

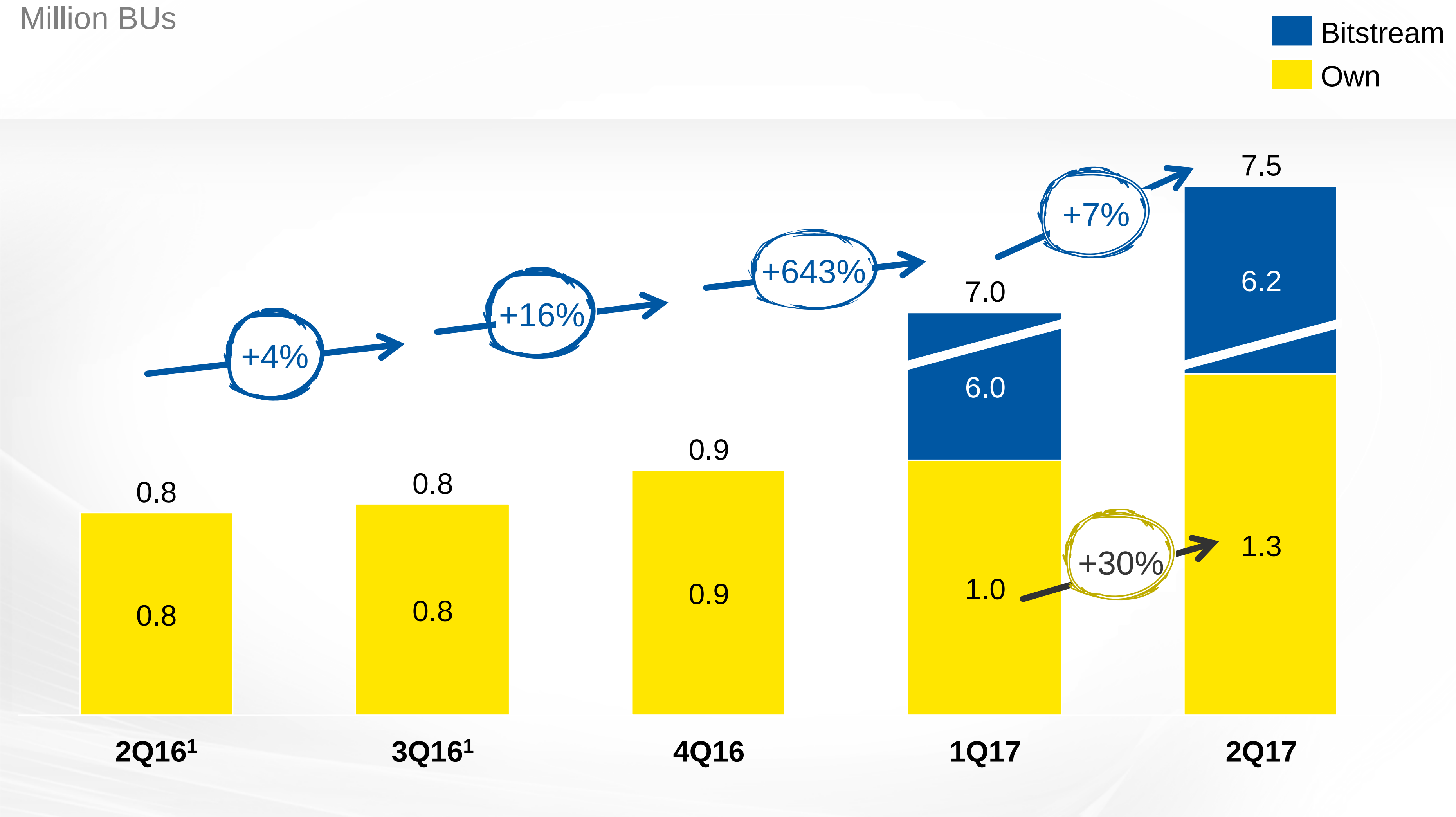


1 Proforma

SOURCE: Internal Information

Fibre footprint expansion

MASMOVIL FTTH footprint at 7.5 million Building Units (BUs). Targeting 10M for end 2017



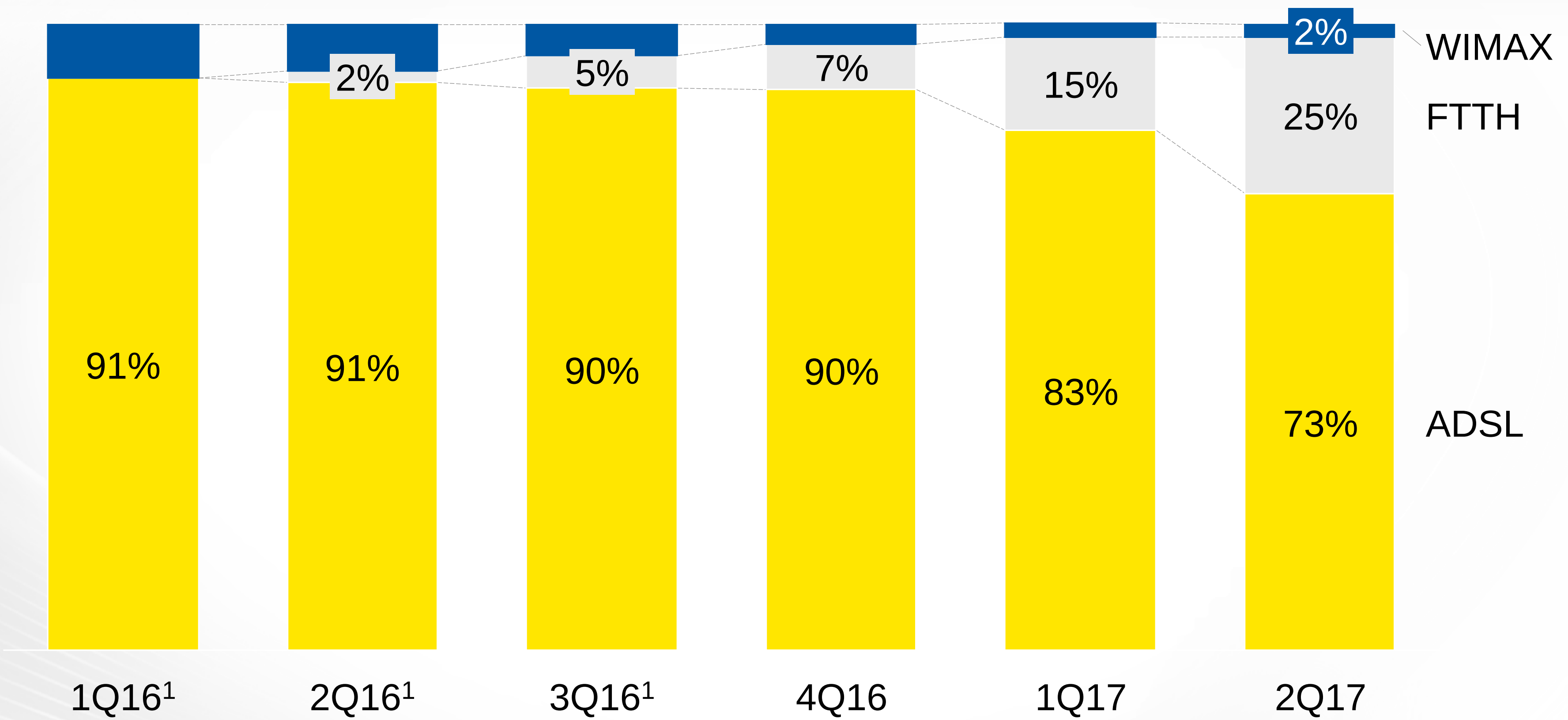
1 Proforma

SOURCE: Internal Information

Broadband access split by technology

FTTH represents now one quarter of total broadband base

1Q16-2Q17

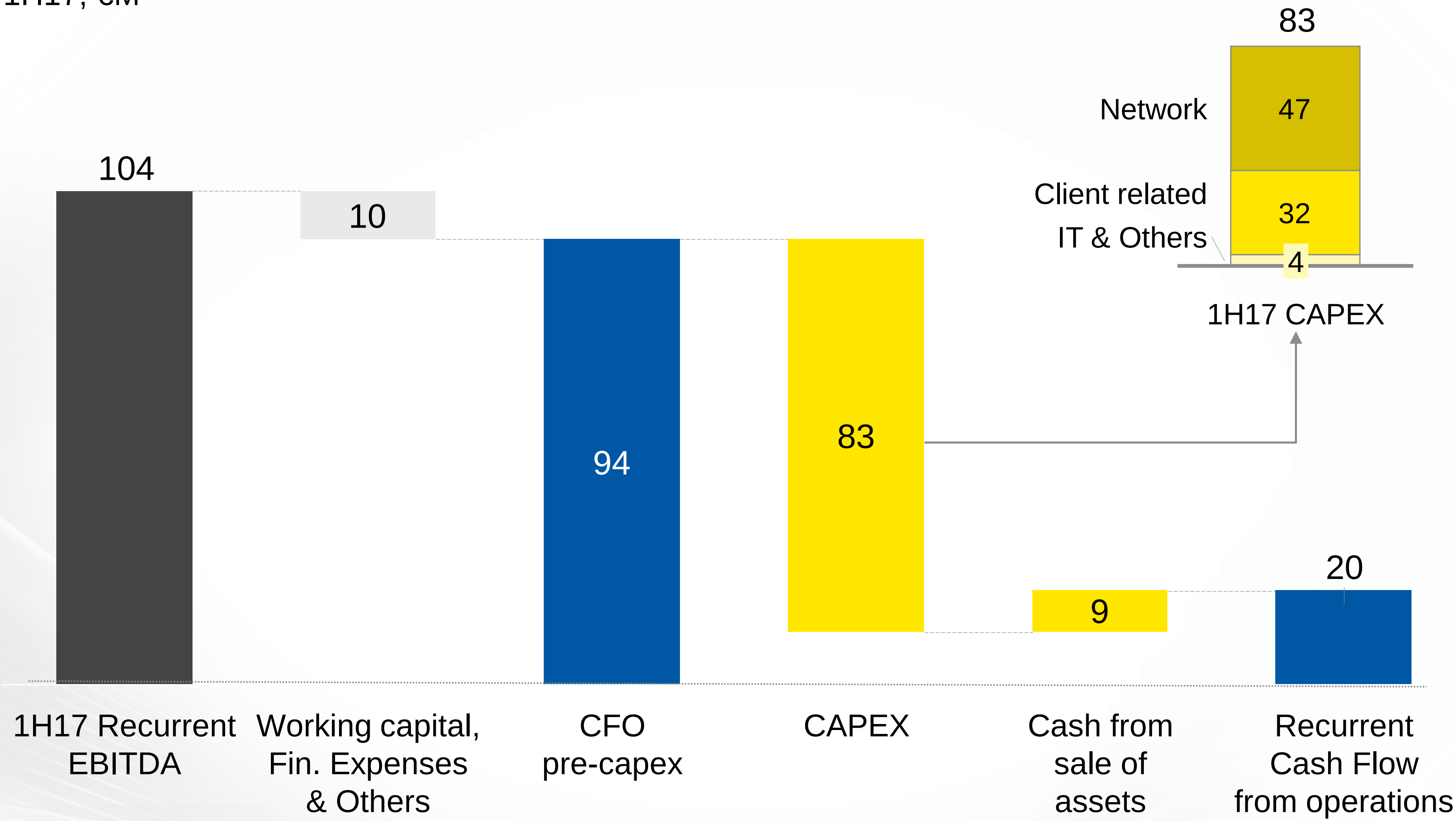


1 Aggregated

SOURCE: Internal Information; CNMC

Cash Flow from operations post CAPEX

MASMOVIL invested 83M€ CAPEX in 1H17, with 47M€ devoted to network development
1H17; €M

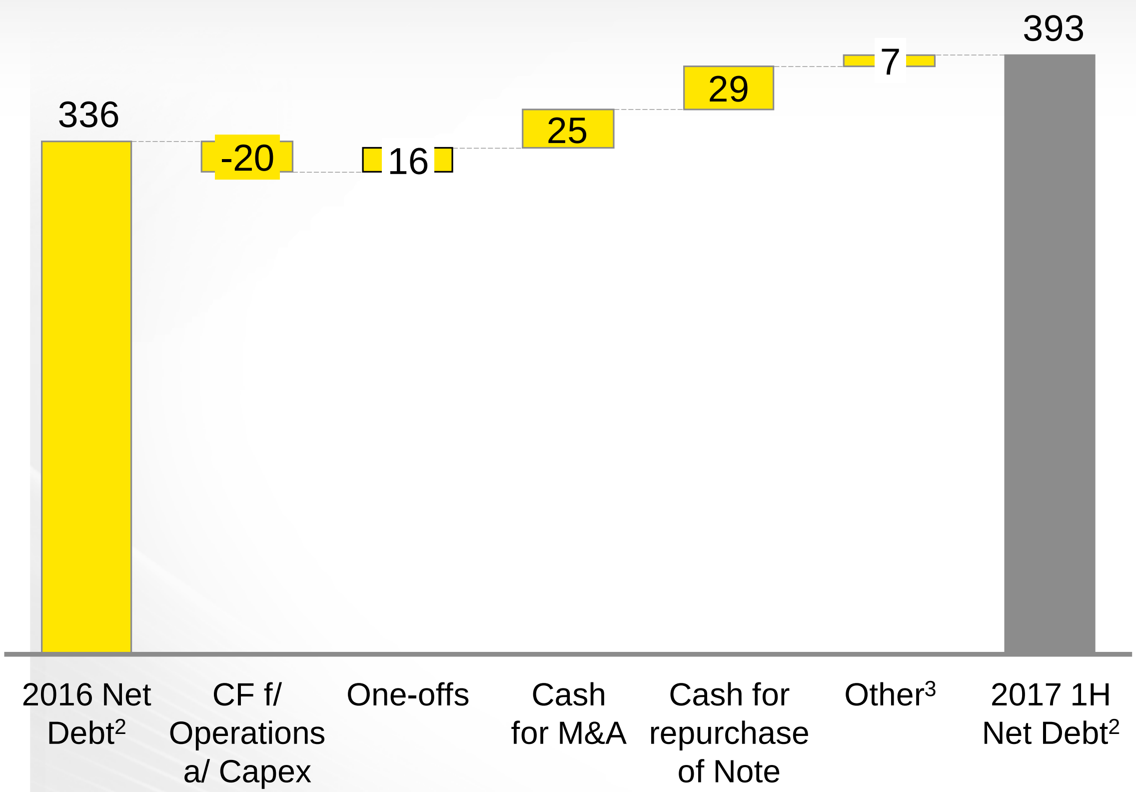


SOURCE: Internal Information

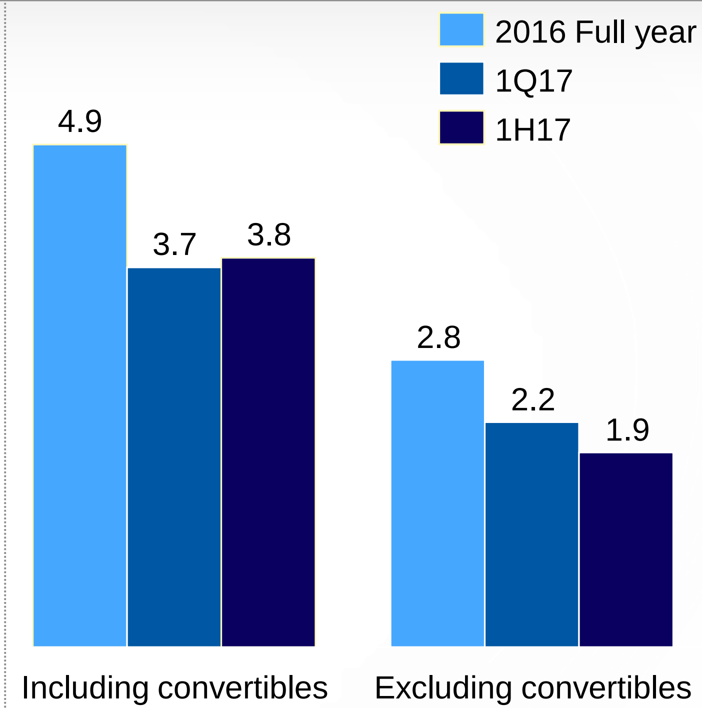
Change in Net Debt and Net Debt / EBITDA

Overall leverage down to 1.9x (excl. convertibles)
€M

Change in net debt



Leverage[1]
Debt/ Annualized EBITDA



1 Annualized EBITDA: for 1Q17 = 1Q17*4; for 1H17=1H17*2
2 Excluding convertibles
3 Includes PIK interest on junior debt, and cash interest accrued but yet to be paid

SOURCE: Internal Information

Increased confidence in 2017 guidance

MASMOVIL increased its confidence in the 2017 guidance
The company will provide an update prior or concurrently with the release of the Q3 results

	Guidance for 2017	1H17	On track?
Subscribers	• Total combined net increase in fixed broadband lines and mobile post-paid lines by 500k	337k	✓
Service Revenues	• Growth in Service Revenues of more than 10% vs 2016 Proforma Service revenues (838M€)	+18% YoY	✓
Recurrent EBITDA	• Growth in Recurrent EBITDA (before one-off costs) from 119M€ in 2016 to more than 200M€ (>70% growth)	209M€[1]	✓

1 Annualized EBITDA: 1H17 x 2

SOURCE: Internal Information

APPENDIX

Net Debt Calculation

Net debt flat vs 1Q17. Leverage down to 1.9x Recurrent EBITDA (excluding convertibles)

(Million €)	FY16	1Q17	1H17	1H17-1Q17
Short term commercial paper	30	30	30	0
Senior debt	347	348	341	(7)
Bonds	57	97	98	1
Junior debt	96	100	101	1
Providence convertible	102	105	108	3
ACS convertible	144	180	289	109
Other debts	41	37	26	(11)
Cash & Equivalents	(236)	(218)	(203)	15
Net debt as per Company calculations	**582**	**679**	**790**	**111**
Providence convertible	(102)	(105)	(108)	(3)
ACS convertible	(144)	(180)	(289)	(109)
Net debt per Company excl. Convertibles	**336**	**394**	**393**	**(1)**
Leverage (x Recurrent EBITDA)[1]	2.8	2.2	1.9	

[1] Net Debt as calculated by the Company excluding convertibles; Recurrent EBITDA calculated as 1H17 * 2, or 209M€

SOURCE: Internal Information

P&L

MASMOVIL achieved an EBITDA of 104M€ and an adjusted Net Income of 19M€ in H1 2017

(Million €)	1H16 (1)	1H17	Growth	2Q16 (1)	2Q17	Growth
Revenue	**538.2**	**609.2**	**13%**	**264.6**	**312.3**	**18%**
Other operating revenue	3.3	14.5	n.a.	1.9	6.9	n.a.
Cost of sales	(430.3)	(461.9)	7%	(202.9)	(230.8)	14%
Other operating expenses	(55.4)	(57.5)	4%	(27.7)	(29.5)	7%
Recurrent EBITDA[1]	**55.8**	**104.3**	**87%**	**35.9**	**58.9**	**64%**
One Offs	-	(15.7)	n.a.	-	(10.7)	n.a.
SAR	-	(1.3)	n.a.	-	(1.3)	n.a.
Reported EBITDA	55.8	87.3	56%	35.9	46.9	31%
Depreciation and amortization	(45.2)	(58.7)	30%	(23.0)	(30.2)	31%
Reported EBIT	10.6	28.7	170%	12.9	16.7	29%
Net financial expenses[3]	(7.8)	(172.3)	n.a.	(5.6)	(111.9)	n.a.
Reported Profit before taxes	2.8	(143.6)	n.a.	7.3	(95.2)	n.a.
Income tax	(2.0)	(7.7)	n.a.	(1.3)	(3.4)	n.a.
Reported Net Income/(Loss)	0.8	(151.3)	n.a.	6.0	(98.6)	n.a.
Sum of the "Adjustments"	-	170	n.a.			
Adjusted Net Income/(Loss)[2]	**0.8**	**19.0**	**n.a.**			

1. Proforma
2. See page 17 for details on adjustments
3. A substantial part of the accounting non-cash effect of the ACS hybrid valuation is foreseen to be reverted to shareholders equity in Q3 (subject to CNMV and auditors)

Source: Company

Accounting treatment of ACS convertible

Accounting non-cash effect of the ACS hybrid valuation (€141m) expected to be reverted to shareholders equity in Q3

- **The 1H17 income statement includes a non-cash charge of 141M€ linked to the ACS convertible. This convertible is considered to be a hybrid instrument under IFRS rules and accordingly any increase in the market value of the shares underlying the convertible are charged to earnings. This accounting treatment under IFRS rules is different to that applied for the Providence convertible, which is not considered to be a hybrid instrument.**

- **To address this issue, 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 pending on CNMV approval, there will be no further non- cash financial charges and the Company expects that most of the 141M€ non-cash charge for 1H17 will be re-classified as shareholders equity in the 3Q17 accounts, thereby increasing book equity and reducing financial debt.**

SOURCE: Internal Information

Adjusted Earnings per Share (fully diluted)

Adjusted Earnings per Share on a fully diluted basis (33 million shares) reached 0.58€ in 1H17

(Million €) (except EPS)	**1H17**
Reported Net Income/(Loss)	**(151.3)**
Accounting impact of ACS convertible	140.5
Reported Net Income excl. ACS convert	**(10.8)**
One-offs	15.7
Amortization of acquired customer base & brand	10.4
Management incentive plans (SAR)	1.3
Interest on Providence and ACS convertibles	10.9
Tax impact of "Adjustments"	(8.4)
Adjusted Net Income/(Loss) fully diluted	**19.0**
Fully diluted number of shares (million)	33.0
Adjusted EPS (fully diluted) (€)	**0.58**