



## COMMUNICATION OF A RELEVANT FACT

### MASMOVIL GROUP

7<sup>th</sup> May 2018

In accordance with article 17 of the Regulations (UE) number 596/2014 on market abuse and article 228 of the Securities Market Act passed by Legislative Royal Decree 4/2015 of October 23 and concordance rules, we inform the market about the following Relevant Fact referred to MASMOVIL IBERCOM, S.A. ("**MASMOVIL**" or the "**Company**" o the "**Group**").

### RELEVANT FACT

#### **Resolutions approved by the Ordinary General Shareholders' Meeting**

The Ordinary General Shareholders' Meeting of Masmovil Ibercom, S.A., held on first call, on May 4<sup>th</sup>, 2018, at 12:00 p.m, at Hotel María Cristina, located at Paseo República Argentina, 4, 20004 San Sebastián (Guipúzcoa), approved all the points contained in the Agenda of the Meeting's call, which was published as Relevant Fact on April 3<sup>rd</sup>, 2018, and at the Company's website ([www.grupomasmovil.com](http://www.grupomasmovil.com)) and on the Spanish newspaper El Economista, on April 4<sup>th</sup>, 2018.

The full text of said resolutions approved by the Ordinary General Shareholders' Meeting is hereby attached. Also, the results of voting are attached as **Sole Annex**.

Madrid, 7<sup>th</sup>May 2018

D. Meinrad Spenger  
CEO  
MASMOVIL IBERCOM, S.A.



**ITEM ONE ON THE AGENDA**

**Examination and approval, where applicable, of the Individual Annual Accounts (Balance Sheet, Profit and Loss Account, Statement of Changes to Net Worth, Cash Flow Statement and Notes to the Accounts) and the Individual Management Report for the Company for the financial year ending 31 December 2017.**

To approve, where applicable, the Individual Annual Accounts (Balance Sheet, Profit and Loss Account, Statement of Changes to Net Worth, Cash Flow Statement and Notes to the Accounts) and the Individual Management Report for the Company for the financial year ending 31 December 2017, all of which were duly prepared by the Company's Board of Directors at a meeting held on 27 February 2018.

The Company's aforementioned Individual Annual Accounts have been audited by the Company's accounts auditor, KPMG Auditors, S.L., as recorded in the Auditor's Report dated 27 February 2018.



## **ITEM TWO ON THE AGENDA**

**Examination and approval, where applicable, of the Consolidated Annual Accounts (Consolidated Financial Statement, Consolidated Global Results Statement, Consolidated Statement of Changes to Net Worth, Consolidated Cash Flow Statements and Consolidated Notes to the Accounts) and the Consolidated Management Report for the Company and its subsidiaries for the financial year ending 31 December 2017.**

To approve the Consolidated Annual Accounts (Consolidated Financial Statement, Consolidated Global Results Statement, Consolidated Statement of Changes to Net Worth, Consolidated Cash Flow Statements and Consolidated Notes to the Accounts) and the Consolidated Management Report for the Company and its subsidiaries for the financial year ending 31 December 2017, all of which were duly prepared by the Company's Board of Directors at a meeting held on 27 February 2018.

The Company's aforementioned Consolidated Annual Accounts have been audited by the Company's accounts auditor, KPMG Auditors, S.L., as recorded in the Auditor's Report dated 27 February 2018.

## ITEM THREE ON THE AGENDA

**Examination and approval, where applicable, of the proposal for the allocation of the Company's result for the financial year ending 31 December 2017.**

Bearing in mind that the Company recorded a loss in the amount of TWENTY-THREE MILLION SIX HUNDRED AND THIRTY-EIGHT THOUSAND EIGHT HUNDRED AND FIFTY EUROS (€23,638,850) during the financial year, the shareholders agree that this loss should be allocated to Negative results from previous financial years.



**ITEM FOUR ON THE AGENDA**

**Examination and approval, where applicable, of the management of the Company by the Board of Directors during the financial year ending 31 December 2017.**

To approve the management of the Company by the Board of Directors during the financial year ending 31 December 2017.

## ITEM FIVE ON THE AGENDA

### **Reappointment of KPMG Auditores, S.L. as the accounts auditors for both the Company and its Consolidated Group for the 2018 financial year.**

To reappoint the company KPMG Auditores, S.L. as the auditor that will audit the accounts of both the Company and its Consolidated Group for the 2018 financial year, and to grant the Board of Directors the power, with the express capacity to delegate this power, to enter into the relevant service provision agreement with the clauses and conditions it deems appropriate, and to make any amendments thereto that may be appropriate under the terms of the legislation in force from time to time.

This resolution is adopted at the proposal of the Board of Directors following a proposal, in turn, by the Audit and Compliance Committee.

It is herein recorded that KPMG Auditores, S.L. has its registered office at Paseo de la Castellana 95, Madrid, and its Tax Code (CIF) is B-78510153. It is entered at the Official Registry of Accounts Auditors (*Registro Oficial de Auditores de Cuentas*, ROAC) with the number S0702, and at Madrid Company Registry in Volume 11,961, Sheet 84, Section 8, Page M-188,007, entry no. 1.



**ITEM SIX ON THE AGENDA**

**Re-election of Meinrad Spenger as a Director of the Company for the statutory period of four years.**

To re-elect Meinrad Spenger as a Director of the Company for the statutory period of four (4) years, pursuant to the proposal made by the Board of Directors following a report from the Appointments and Remuneration Committee.

Meinrad Spenger has the status of Executive Director.

## ITEM SEVEN ON THE AGENDA

**Split of the number of shares into which the Company's share capital is divided, in the proportion of 5 new shares for each former share, through the reduction of the individual par value of each share from €0.10 to €0.02, without any modification of the Company's share capital figure. Delegation of powers.**

### 1. Split or division of the number of Company shares.

It is agreed to split the total number of shares into which the Company's share capital is divided in the proportion of 5 new shares for each former share, through the reduction of the individual par value of each share from €0.10 to €0.02. The Company's share capital figure will remain unchanged and the number of shares representing the share capital in circulation will therefore be increased. As a consequence, the number of shares into which the Company's share capital is divided will be multiplied by 5, and the share capital will be divided among a total of 99,755,500 shares, each with a par value of €0.02, all in the same category and series, numbered consecutively from 1 to 99,755,500 inclusive, in such a way that the total share capital figure of €1,995,110 will remain unchanged as a consequence of this split.

It is expressly provided that this present resolution to split the shares representing the Company's share capital will also affect the new shares issued as a result of the delegation made in favour of the Board of Directors in order to increase the share capital, as approved by the Ordinary General Meeting of shareholders held on 23 June 2016, for the purposes of converting the convertible bonds issued to service the Options Plan approved at that same Meeting into shares.

The shares will be represented by registry entries, and responsibility for keeping the accounts register shall fall to Bolsas y Mercados Españoles (BME)<sup>1</sup>.

The Board of Directors may agree not to put this resolution to split the number of Company shares into effect, when there are circumstances to justify such a decision in the Board's own opinion.

### 2. Exchange procedure.

Holders of Company shares shall receive 5 new shares, each with a par value of €0.02, for each former share with a par value of €0.10. The shares currently in circulation representing the share capital (each with a par value of €0.10) shall thus be split and divided among the newly issued shares (each with a par value of €0.02), represented by registry entries.

This exchange shall be carried out from the date agreed by the Board of Directors, which shall give notice to this effect by means of the relevant announcements that are expedient or mandatory for this type of operation.

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<sup>1</sup> Bolsas y Mercados Españoles (BME) is the operator of all stock Markets and financial systems in Spain.



The exchange of shares shall be completed through the relevant participating organisations pursuant to the procedures established for securities represented by registry entries.

### 3. Application for admission for listing

The Board Of Directors is afforded the express capacity to delegate powers to each and every one of the members of the Board of Directors, including the Secretary, to the broadest extent required in law, to allow each of them individually, with their sole signature, once the public deed formalising this present resolution has been entered at the Mercantile Registry, to request the withdrawal from trading of the former shares and the simultaneous admission for trading of the new shares at the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, along with their inclusion in the Spanish Stock Market's Integrated System (*Sistema de Interconexión Bursátil Español*, "SIBE").

It is expressly recorded herein that, in the event that a request is subsequently made for the withdrawal of the Company's shares from trading, this shall be adopted with all the relevant formalities and in accordance with all the requirements set out in the legislation in force.

### 4. Modification of Article 6 of the Articles of Association.

The Board of Directors is expressly delegated the power to redraft Article 6 of the Company's Articles of Association with regard to the number and par value of the shares, once the split and exchange of shares forming the subject of this resolution has been executed.

### 5. Delegation of powers.

Notwithstanding the delegation of the specific powers set out in the preceding paragraphs (which must be understood to have been granted with express powers of delegation to the people indicated herein), it is agreed to grant powers to each and every one of the members of the Board of Directors, including the Secretary, to the broadest extent required in law, to allow each of them individually, with their sole signature, to take any action that may be necessary or expedient in order to implement this present resolution and, in particular, for non-limiting information purposes:

- a) To take any action necessary in order to comply with the requirements set out in Royal Legislative Decree 1 of 2 July 2010, which approved the consolidated text of the Spanish Capital Companies Act, Royal Legislative Decree 4 of 23 October 2015, which approved the consolidated text of the Spanish Securities Market Act, Royal Decree 878 of 2 October 2015, on the offsetting, settlement and registration of negotiable securities represented by registered entries, the legal regulation of central securities depositories and central counterparties, and the transparency requirements for the issuers of securities that are admitted for trading on the official secondary markets, and any other applicable regulations, including publication of the corresponding mandatory announcements;
- b) Acting in the Company's name, to take any action, make any declaration or complete any formal process, draft, sign and submit any documentation or information that may be required by the Spanish National Securities Markets Commission (the "CNMV"), Iberclear, the Companies that control the Madrid, Barcelona, Bilbao and

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Valencia Stock Exchanges, and any other body, organisation or public or private register, whether Spanish or foreign, in relation to the execution of the splitting of shares for exchange for newly-issued shares, as set out in this resolution;

- c) To appear before the Notary Public of their choice and record the resolution for the modification of the par value of the shares in a public deed, to take any action that may be required and approve and formalise any public or private documents that may be necessary or expedient to ensure the full effect of the resolution in all its aspects and content and, in particular, to correct, clarify, interpret, complete, specify or explain the resolution adopted, as applicable, particularly as regards the correction of any defects, omissions or mistakes that may be pointed out in the verbal or written observations made by the Mercantile Registry;
- d) To request the withdrawal from trading of the pre-existing shares and the simultaneous admission for trading of the newly-issued shares at the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, along with their inclusion in the Spanish Stock Market's Integrated System (*Sistema de Interconexión Bursátil Español*, "SIBE");
- e) To establish the procedure for the exchange of shares in respect of any aspect not described in this present resolution, including determination of the date of effect;
- f) To negotiate and sign, where applicable, pursuant to the terms and with the organisations or persons deemed most appropriate, any agreements that may be necessary or expedient to ensure the proper execution of this present resolution, including (though not limited to) any agency agreement that may be required;
- g) To declare that this present resolution for a share split has been executed in its entirety and, as a consequence, adjust the wording of Article 6 of the Articles of Association in the terms approved by this present General Meeting of Shareholders; and
- h) In general, to complete any action that may be necessary or expedient to ensure the proper implementation of this present resolution.

The foregoing delegation of powers to each and every one of the members of the Board of Directors, including the Secretary, extends (as indicated in paragraph 1 of this present resolution) to all the new shares to be issued by the Board in order to attend to the requests for the conversion of the convertible bonds issued at the Ordinary General Meeting of shareholders on 23 June 2016, to be approved by the Board prior to 31 May 2018, in the event that the said share capital increase takes place before this present resolution for a share split is executed.

## **ITEM EIGHT ON THE AGENDA**

### **Modification of Article 38 ("Remuneration") of the Articles of Association.**

To modify Article 38 of the Articles of Association which shall henceforth read as follows, following the repeal of the previous version:

#### **"ARTICLE 38 - REMUNERATION.**

Directors shall be paid in their capacity as such in the form of remuneration consisting of a fixed payment, the maximum total annual amount of which shall be decided for each financial year by agreement of the General Meeting of Shareholders. It may be different for each director and it shall remain in force until its modification is approved. Calculation of each director's remuneration in his/her capacity as such shall be the responsibility of the Board of Directors, which to this end shall take account of the duties and responsibilities allocated to each director, their membership of any Board Committees and any other objective circumstances deemed relevant.

Independently of the contents of the preceding paragraph, a director's remuneration may also consist of a subsistence allowance, payment in kind or the handover of shares or options over shares, or it may be linked to the Company's share price, or it may consist of a variable payment. The application of such systems must be agreed by the General Meeting of Shareholders, which shall decide on the maximum number of shares that may be allocated to this remuneration system in each financial year, the price of exercising share options or the system to be used to calculate this price, the value of the shares that are to be used as a reference, where applicable, the term during which the agreed system is to remain in place and any other conditions deemed appropriate.

The Company must take out a civil liability insurance policy to cover its directors and managers.

The remuneration of directors must in any case remain reasonably proportionate to the importance of the Company, the current economic situation and the market standards that apply to comparable companies. The established remuneration system must be aimed at promoting the long-term profitability and sustainability of the Company and incorporating the precautions necessary to avoid excessive risk-taking and the rewarding of unfavourable results.

Directors who perform executive duties shall also be entitled to receive the payment due for the performance of such duties, as agreed in the contract signed to this end by the director and the Company, including, where applicable, any potential compensation for early dismissal from their duties and any amounts to be paid by the Company in the form of insurance premiums or contributions to savings programmes. Directors may not receive payment of any kind for the performance of executive duties when the amounts or items in question are not provided for in their contract. Their contracts must conform to the remuneration policy approved at the General Shareholders' Meeting.

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The payment of directors shall be in line with the director remuneration policy to be approved by the General Meeting of Shareholders and, where applicable, the specific resolutions approved by the General Meeting of Shareholders in addition to the said policy in matters relating to director payments. Director payment policy must cover the fixed annual remuneration amount, the variable annual payment amount and any variable payment covering multiple years, including the parameters that apply to the accrual of such amounts, along with any potential compensation for termination of contract (provided that their cessation does not result from a breach of their duties as director) and any potential undertakings by the Company to pay amounts in the form of insurance premiums or contributions to savings programmes or provisions.”

## ITEM NINE ON THE AGENDA

**Approval for the effects of Article 529 (19) of the Spanish Capital Companies Act of the Director Remuneration Policy for the financial years 2018, 2019 and 2020.**

For the purposes set out in Article 529 (19) of the Spanish Capital Companies Act, to approve the Director Remuneration Policy which is described and set out in the attached **Schedule** and which was made available to shareholders at the time at which this General Meeting of Shareholders was convened.

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## Schedule

# MASMOVIL

## MASMOVIL IBERCOM. S.A. DIRECTOR REMUNERATION POLICY

### **1. Introduction.**

The Board of Directors of Masmovil Ibercom, S.A. (the “**Company**” or “**Masmovil**”), pursuant to the contents of Article 529 (19) of the current Spanish Capital Companies Act, has prepared this Director Remuneration Policy (the “**Remuneration Policy**”).

### **2. Internal regulations.**

The system of payments that applies to members of the Board of Directors is set out in Article 38 of the Articles of Association and Article 25 of the Regulations of the Board of Directors.

Furthermore, the Board of Directors of Masmovil approved its “Director Remuneration Policy” on 30 June 2017. This constitutes one of the Company’s internal good governance policies and is based on the regulations contained in the Articles of Association and the Board’s Regulations.

### **3. General principles.**

This present Remuneration Policy for the Directors of Masmovil seeks to ensure that the payments made to directors are consistent with the time they devote and the duties they assume, as well as being in line with the amounts paid in the marketplace by comparable Spanish companies, taking account of the long-term interests of all shareholders.

In particular, as far as executive directors are concerned, the basic criterion pursued is that of offering a payment system that is aimed at retaining and motivating directors and that will allow the Company to attract, retain and motivate the most outstanding professionals, so that the Company may achieve its strategic objectives within the increasingly competitive and internationalised business framework in which it operates. As a consequence, its Director Remuneration Policy is designed, as far as executive directors are concerned:

- a) To ensure that their payment, in terms of its structure and overall amount, conforms to best business practices and is competitive with regard to the payment offered by comparable organisations.
- b) To establish payment based on objective criteria relating to individual performance and the pursuit of the Company’s corporate objectives.
- c) To include a significant variable annual component linked to performance and the achievement of specific, predetermined, quantifiable targets that are consistent with the corporate interest and the Company’s strategic objectives.
- d) To strengthen and incentivise the pursuit of the Company’s strategic objectives through the incorporation of long-term incentives, reinforcing continuity in the competitive development of the Masmovil Group and encouraging motivation

and loyalty.

- e) To establish the proper maximum limits on any variable short-term or long-term payment.

#### **4. Remuneration of members of the Board in their capacity as such.**

4.1 The maximum total annual amount that the Company may pay the members of its Board, in their capacity as such, by way of a fixed annual allocation for the financial years 2018, 2019 and 2020 shall be as follows:

- a) The maximum amount for the 2018 financial year is €1,025,000.
- b) The maximum amount for the 2019 financial year is €1,125,000.
- c) The maximum amount for the 2020 financial year is €1,225,000.

Calculation of each director's remuneration in his/her capacity as such shall be the responsibility of the Board of Directors, which to this end shall take account of the duties and responsibilities allocated to each director, their membership of any Board Committees and any other objective circumstances deemed relevant.

4.2 The Company has also taken out a civil liability insurance policy to cover the members of its Board under market conditions.

#### **5. Remuneration of members of the Board for the performance of executive duties.**

On the date hereof, Meinrad Spenger is the only member of Masmovil's Board of Directors who performs executive duties for the Company, as the Company's sole Managing Director.

##### **5.1. Fixed remuneration**

The Managing Director's fixed remuneration amounts to a gross annual total of €350,000. Over the period that this Remuneration Policy remains in force, this amount shall be reviewed annually (and with effect from 1 January each year), with application of the percentage change experienced by the IPC each year, provided that the said percentage is a positive figure.

In addition to this fixed payment, the Managing Director shall receive payment in kind, such as individual use of a company vehicle, health insurance, fuel, life insurance and restaurant vouchers, in a maximum total annual amount of up to €19,000.

##### **5.2. Variable remuneration**

The Managing Director's variable remuneration includes the following items:



- a) A variable annual payment consisting of 50 per cent of his annual salary, linked to the achievement of 100 per cent of certain operational and financial corporate targets, rising to a maximum of 85% if these operational and financial targets are reached and the maximum figures set for each of them are exceeded.
- b) An extraordinary annual bonus linked to the achievement of corporate financial targets that may not exceed 143 per cent of his gross fixed annual salary.
- c) A variable three-yearly payment, which shall become due at the end of the 2018 financial year, where applicable, and which is linked to the 2015-2018 Business Plan, in particular, the achievement of certain financial and business targets set by the Masmovil Group.

The Board of Directors shall be responsible for calculating the targets referred to in the foregoing sections a), b) and c), after it has received a favourable report from the Appointments and Remuneration Committee.

- d) Participation in the Share Options Plan approved by the Board on 30 September 2015 and ratified by the Ordinary General Meeting of Masmovil's Shareholders on 23 June 2016, through the allocation of 125,000 options over bonds that are convertible into shares in the Company at a conversion price of €20.42.
- e) Participation in the Shares Appreciation Rights' Plan approved by the Extraordinary General Meeting of Masmovil's Shareholders held on 1 March 2017, through the allocation of 570,000 rights over the appreciation of Masmovil's shares, based on an initial value of €27.4767 per share.

## **6. Principal terms and conditions of the Managing Director's contract.**

The essential terms and conditions of the Managing Director's contract, aside from those relating to his payment, are as set out below:

- a) Duration: the Managing Director's contract has no defined term.
- b) Exclusivity: while he performs executive duties, the Managing Director may not have any other kind of paid work, nor may he participate either directly or indirectly in the business of any other company, unless the Board of Directors has given its express prior authorisation in writing, following a unanimously favourable report from the Company's Appointments and Remuneration Committee. Authorisation is not required in the case of the acquisition of shares or other stakes purely for the purposes of his own private investments.
- c) Post-contractual non-compete clause: during a period of one year following the termination of his special senior management position with the Company, the Managing Director may not offer his services in or to the territories in which the Company or its subsidiaries may, from time to time, engage in their business activities, either on his own or jointly with other people, regardless of whether he does so directly or indirectly, in his own name or through the provision of his services to another third party telecommunications operator.

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In consideration of the inclusion of the clause referred to in the preceding paragraph, the Company shall pay the Managing Director an amount equal to the amount he is receiving as his gross annual payment (in respect of all payment items) in the year in which the termination of his employment contract with the Company occurs.

- d) Advance notice required for termination of his contract: six months. This advance notice period shall not apply when termination is due to a breach of obligations by the party that is not terminating the contract.
- e) Compensation for termination of his contract: this shall depend on the reason for termination, as indicated below:
  - i) In the event that his contract is terminated as the result of a decision by Masmovil, for reasons other than a breach by the Managing Director of his contractual obligations, Masmovil must pay compensation consisting of an amount equal to one year's gross annual payment (in respect of all payment items) in the amount that the Managing Director is receiving at the time his contract is terminated.

For the foregoing purposes, under no circumstances may the gross amount mentioned be less than the amount payable for 45 days per year worked between 16 March 2006 and 12 February 2012, and 33 days per year worked from 13 February 2012 until the date on which his contract is terminated.

- ii) In the event of a company succession, the Managing Director shall have the right to receive payment from the Company of an amount equal to three times the gross annual payment (in respect of all payment items) that the Managing Director is receiving at the time his contract is terminated.

In the event that the gross annual payment he is receiving in respect of all payment items exceeds a total of €300,000, the additional compensation referred to shall amount to two times his gross annual payment (in respect of all payment items).

- iii) In the event that termination of the contract is requested by the Managing Director due to a breach by the Company of its contractual obligations, the Company shall be obliged to pay the Managing Director compensation consisting of an amount equal to one year's gross annual payment (in respect of all payment items) in the amount that the Managing Director is receiving at the time his Contract is terminated.

Furthermore, if, as the result of a company succession, the Managing Director's employment conditions are substantially changed, the Managing Director may request the termination of his contract with Masmovil and he shall be entitled to receive compensation equivalent to three times his total annual payment (in respect of all payment items).

## **7. Application of Remuneration Policy.**

Masmovil's Appointments and Remuneration Committee shall ensure that this Remuneration Policy is observed, reviewing it regularly and proposing amendments and updates to the Board of Directors for submission to the General Meeting of Shareholders, all pursuant to the contents of the Regulations of the Board of Directors and its Committees.

## **8. Valid term.**

Masmovil's Remuneration Policy shall apply during the 2018, 2019 and 2020 financial years, unless the General Meeting of Masmovil's Shareholders agrees its amendment or replacement during that period, pursuant to the contents of Article 529 (19), section 3 of the current Spanish Capital Companies Act.

Madrid, 3 April 2018.



**ITEM TEN ON THE AGENDA**

**Consultative vote on the Annual Report on the Remuneration of Directors relating to the financial year ending 31 December 2017.**

To approve, by means of a consultative process, the Annual Report on the Remuneration of Directors relating to the financial year ending 31 December 2017, attached hereto as a **Schedule**.

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## Schedule

## SCHEDULE 1

### ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

#### ISSUER'S IDENTIFICATION DATA

**FINANCIAL YEAR CLOSING DATE**

31/12/2017

**COMPANY NAME**

**SPANISH TAX ID (C.I.F.)**

A20609459

MASMOVIL IBERCOM, S.A.

**REGISTERED OFFICE**

Parque Emp. Zuatzu, Edif. Easo, 2<sup>a</sup> pl., n<sup>o</sup> 8. (SAN SEBASTIAN)

## **A COMPANY REMUNERATION POLICY FOR THIS YEAR**

**A.1 Explain the remuneration policy of the Company. This section will include information regarding:**

- The general principles and grounds of the remuneration policy.
- The most significant changes made to the remuneration policy from the last financial year, as well as any changes made during this financial year to the terms for exercising options that have already been granted.
- Criteria used and the composition of peer groups of companies whose remuneration policies have been examined in order to define the Company's remuneration policy.
- Relative importance of the variable items of remuneration as compared to fixed items and standards used to determine the different components of the Directors' remuneration package (remunerative mix).

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**Explain the remuneration policy**

1. The general principles and grounds of the remuneration policy.

It is planned that at the first General Meeting of Shareholders of Masmovil Ibercom, S.A. (the "Company" or "MASMOVIL") held during 2018, which will be its first General Meeting of Shareholders as a listed company since MASMOVIL's shares were listed for trading on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges on 14 July 2017, the MASMOVIL Remuneration Policy will be submitted for approval, pursuant to the contents of Article 529 (19) of the Spanish Capital Companies Act. The Remuneration Policy shall be accompanied by an explanatory report providing the reasoning behind the remuneration policy, issued by the Company's Appointments and Remuneration Committee.

MASMOVIL's current remuneration policy regarding the maximum annual remuneration received by directors in their capacity as such is the policy that was approved by the Ordinary General Meeting of Shareholders on 22 June 2017 for the period between 1 July 2017 and 30 June 2018, pursuant to the contents of Article 217.3 of the current Spanish Capital Companies Act and Article 38 of the Articles of Association.

Furthermore, the aforementioned Article 38, paragraph one of the MASMOVIL Articles of Association establishes that "directors shall be paid in their capacity as such in the form of remuneration consisting of a fixed payment, the maximum total annual amount of which shall be decided for each financial year by agreement of the General Meeting of Shareholders. It may be different for each director and it shall remain in force until its modification is approved. Calculation of each director's remuneration in his/her capacity as such shall be the responsibility of the Board of Directors, which to this end shall take account of the duties and responsibilities allocated to each director, their membership of any Board Committees and any other objective circumstances deemed relevant."

The second paragraph of the same Article establishes that "independently of the contents of the preceding paragraph, a director's remuneration may also consist of a subsistence allowance, the handover of shares or options over shares, or it may be linked to the Company's share price, or it may consist of a variable payment. The application of such systems must be agreed by the General Meeting of Shareholders, which shall decide on the maximum number of shares that may be allocated to this remuneration system in each financial year, the price of exercising share options or the system to be used to calculate this price, the value of the shares that are to be used as a reference, where applicable, the term during which the agreed system is to remain in place and any other conditions deemed appropriate."

Finally, the fourth, fifth and sixth paragraphs of the said Article establish that "the remuneration of directors must in any case remain reasonably proportionate to the importance of the Company, the current economic situation and the market standards that apply to comparable companies. The established remuneration system must be aimed at promoting the long-term profitability and sustainability of the Company and incorporating the precautions necessary to avoid excessive risk-taking and the rewarding of unfavourable results.

Directors who perform executive duties shall also be entitled to receive the payment due for the performance of such duties, as agreed in the contract signed to this end by the director and the Company,

including, where applicable, any potential compensation for early dismissal from their duties and any amounts to be paid by the Company in the form of insurance premiums or contributions to savings programmes. Directors may not receive payment of any kind for the performance of executive duties when the amounts or items in question are not provided for in their contract. Their contracts must conform to the remuneration policy approved at the General Shareholders' Meeting.

The payment of directors shall be in line with the director remuneration policy to be approved by the General Meeting of Shareholders and, where applicable, the specific resolutions approved by the General Meeting of Shareholders in addition to the said policy in matters relating to director payments. Director payment policy must cover the fixed annual remuneration amount, the variable annual payment amount and any variable payment covering multiple years, including the parameters that apply to the accrual of such amounts, along with any potential compensation for termination of contract (provided that their cessation does not result from a breach of their duties as director) and any potential undertakings by the Company to pay amounts in the form of insurance premiums or contributions to savings programmes or provisions."

In addition, on 30 June 2017, MASMOVIL's Board of Directors approved the Company's "Director Remuneration Policy", which establishes (Article 2, paragraph two) that the said policy "seeks to ensure that the payments made to directors are consistent with time they devote and the duties they assume, as well as being in line with the amounts paid in the marketplace by comparable Spanish companies, taking account of the long-term interests of all shareholders."

Similarly, as regards executive directors, the said Policy seeks:

- a) To ensure that their payment, in terms of its structure and overall amount, conforms to best business practices and is competitive with regard to the payment offered by comparable organisations;
- b) To establish payment based on objective criteria relating to individual performance and the pursuit of the Company's corporate objectives;
- c) To include a significant variable annual component linked to performance and the achievement of specific, predetermined, quantifiable targets that are consistent with the corporate interest and the Company's strategic objectives;
- d) To strengthen and incentivise the pursuit of the Company's strategic objectives through the incorporation of long-term incentives, reinforcing continuity in the competitive development of the Group, its directors and its management team, encouraging motivation and loyalty and the retention of its professional personnel.
- e) To establish the proper maximum limits on any variable short-term or long-term payment.

Notwithstanding the foregoing, the Director Remuneration Policy will be duly adapted in line with the financial situation and national environment.

2. The most significant changes made to the remuneration policy from the last financial year, as well as any changes made during this financial year to the terms for exercising options that have already been granted.

There have not been any changes to the remuneration policy since it was approved by the Ordinary General Meeting of Shareholders on 23 June 2016 for the period between 1 July 2016 and 30 June 2017 inclusively, except for the fact that the General Shareholders' Meeting of 22 June 2017 agreed to update and increase the maximum annual remuneration for directors in their capacity as such for the period between 1 July 2017 and 30 June 2018 inclusively, up to a maximum of €750,000.

No changes have been made with regard to the conditions for the exercise of the options granted under the MASMOVIL Share Options Plan approved by the Ordinary General Meeting of Shareholders on 23 June 2016.

Finally, the Extraordinary General Meeting of Shareholders of 1 March 2017 approved the Shares Appreciation Rights' Plan to the benefit of the Managing Director and the MASMOVIL management team, which represents the second incentives plan introduced at MASMOVIL to date, and the MASMOVIL Board of Directors approved the review of the payment due to the Managing Director under the terms of his contract in a resolution agreed on 1 February 2017, establishing the said payment at €350,000 per annum.

3. Criteria used and the composition of comparable groups of companies whose remuneration policies have been examined in order to define the Company's remuneration policy.

MASMOVIL has received consultancy services from Parangon Partners, which issued a report in May 2017, for the purposes of establishing market criteria for the payment structure to be followed for the Company's non-executive directors in their capacity as such. This comparison was made in respect of 29 listed companies that included companies operating in the same business sector as MASMOVIL, as well as companies from other sectors that were nevertheless comparable in terms of size (turnover and employees) and geographical scope.

4. Relative importance of the variable items of remuneration as compared to fixed items and standards used to determine the different components of the directors' remuneration package (remunerative mix).



The payment of non-executive directors in their capacity as such is wholly made up of fixed components that are calculated on the basis of the duties they perform on the Board and their membership of the different Committees. For its part, the payment of the Managing Director for his executive duties comprises the following elements:

- a) A fixed payment, paid in consideration of his level of responsibility and performance;
- b) A variable annual payment linked to the achievement of specific and quantifiable operational and financial targets, which include the EBITDA target ("earnings before interest, tax, depreciation and amortization");
- c) Two long-term incentives, consisting of the award of options and rights under the MASMOVIL Share Options Plan and the Company's Share Appreciation Rights' Plan.
- d) Payment in kind (use of a vehicle, health insurance, fuel, life insurance and restaurant vouchers).

All of these are aimed at ensuring that the Managing Director receives a total payment package that is adequate and competitive enough to attract the highest quality professionals, with significant weight given to the total variable amount (both annually and as regards long-term incentives).

It is expected that in the 2018 financial year, the variable payment will account for no less than 90% of the Managing Director's total payment (this assumption is made in consideration of the fact that the long-term payment is linked to the listed price of MASMOVIL's shares).

## A.2 Information regarding the preparatory works and decision-making process followed in order to determine the remuneration policy and the role, where applicable, of the Remuneration Committee and other monitoring bodies in the establishment of the remuneration policy. This information shall include, where appropriate, the mandate and composition of the Remuneration Committee and the identity of the External Advisors whose services have been used to define the remuneration policy. Where applicable, the nature of any Directors that were involved in defining the remuneration policy shall also be included.

### **Explain the process for determining the remuneration policy**

The General Meeting of Shareholders is the body that has the competence to approve MASMOVIL's remuneration policy, following a report from the Appointments and Remuneration Committee, pursuant to the contents of Article 529 (19) of the Spanish Capital Companies Act and Article 38 of the Articles of Association.

In addition, the Board of Directors, acting on a proposal from the Appointments and Remuneration Committee, is the body responsible for distributing the specific payments to be made to directors each financial year, within the limits set by the General Shareholders' Meeting, taking account of the duties and responsibilities allocated to each director, their membership of the various Committees and any other objective circumstances deemed relevant.

Calculation of the amounts to be received by directors in the performance of their duties is consistent with normal market practices at comparable organisations. It reflects the Company's size, characteristics and activities and takes account of the reports and proposals previously submitted by the Appointments and Remuneration Committee.

The Appointments and Remuneration Committee is made up of three non-executive directors, the majority of whom are independent, with one of these independent directors acting as Chairman.

At 31 December 2017, its members are as follows:

- a) Felipe Fernández Atela (Chairman) is an independent director. He was appointed director at the Ordinary General Meeting held on 29 June 2015.
- b) Eduardo Díez-Hochleitner Rodríguez (Member) is an independent director and Chairman of the Board. He was appointed director at the Ordinary General Meeting held on 29 June 2015.
- c) John C. Hahn (Member) is a proprietary director (representing PLT VII MAS, S.à r.l. - Providence). He was appointed director at the Extraordinary General Meeting held on 4 November 2016.

During the 2017 financial year the payments made to directors in their capacity as such was analysed, and the Board proposed that these payments be reviewed and increased, a proposal that was approved by the General Meeting of Shareholders on 22 June 2017.

MASMOVIL has received consultancy services from Parangon Partners, which issued a report in May 2017 in relation to the payment of directors (non-executive) in their capacity as such.

As regards the Managing Director's remuneration, comparable listed Spanish companies were used as a comparison.

A.3 Please indicate the amount and nature of the fixed components, with a breakdown, if applicable, of remuneration for the performance by the Executive Directors of the duties of senior management, of additional remuneration as Chairman or member of any Board Committee, of attendance allowances for participating in the Board and its committees or other fixed remuneration as Director, as well as an estimation of the resulting annual fixed remuneration. Identify any other benefits that are not paid in cash and the basic criteria upon which the benefits are granted.

#### Explain the fixed remuneration components

The Board of Directors distributes among its members the maximum annual remuneration amount payable to directors in their capacity as such, once this amount has been approved by the General Meeting of Shareholders. Thus, the remuneration received by the members of MASMOVIL's Board, in their capacity as such, during the last financial year (2017) resulted from the following resolutions:

a) Resolution adopted by the Ordinary General Meeting of Shareholders on 23 June 2016, which agreed to set the said maximum figure for the period between 1 July 2016 and 30 June 2017 in the amount of €300,000.

In turn, the Company's Board of Directors agreed at a meeting to distribute this amount among its members over the said period, taking account of the duties and responsibilities allocated to each of them and to their membership of the Board's committees, distributing it in the following manner:

- i) Board Member (Independent): €18,000/year.
- ii) Chairman of the Board: €60,000/year.

On this date, the Company only paid its independent directors, except for Antonio García Ortiz (proprietary), who was allocated €18,000 per annum.

b) Resolution adopted by the Extraordinary General Meeting of Shareholders on 4 November 2016, which agreed to set the said maximum figure approved by the Meeting mentioned in the foregoing point a) in the amount of €600,000, bearing in mind the incorporation of five new members of the Board.

On 4 October 2016, the Company's Board of Directors agreed to distribute this amount among its members, in the event that the said payment was approved by the Shareholders, during the said period, taking account of the duties and responsibilities allocated to each of them and to their membership of the Board's committees, in the following manner:

- i) Board Member: €40,000/year.
- ii) Chairman of the Board: €40,000/year.
- iii) Chairman of the Audit and Monitoring Committee: €25,000/year.
- iv) Chairman of the Appointments and Remuneration Committee: €23,000/year.
- v) Member of the Audit and Monitoring Committee (not combinable with being Chairman of this Committee): €4,000/year.
- vi) Member of the Audit and Monitoring Committee (not combinable with being Chairman of this Committee): €4,000/year.

The said amount of €600,000 replaced the amount approved by the Meeting of 23 June 2016, and it applied with effect from the date of its approval by the Shareholders, without retroactive effect.

c) Resolution adopted by the Ordinary General Meeting of Shareholders on 22 June 2017, which agreed to set the said maximum figure for the annual remuneration of all the directors in their capacity as such in the amount of €750,000 for the period between 1 July 2017 and 30 June 2018.

In turn, the Company's Board of Directors agreed at a meeting held on the same date to distribute this amount among its members over the said period, taking account of the duties and responsibilities allocated to each of them and to their membership of the Board's committees, distributing it in the following manner:

- i) Board Member: €48,000/year.
- ii) Chairman of the Board: €72,000/year.
- iii) Chairman of the Audit and Monitoring Committee: €30,000/year.
- iv) Chairman of the Appointments and Remuneration Committee: €25,000/year.
- v) Member of the Audit and Monitoring Committee (not combinable with being Chairman of this Committee): €8,000/year.
- vi) Member of the Audit and Monitoring Committee (not combinable with being Chairman of this Committee): €6,500/year.

The two aforementioned resolutions by the General Meeting and the Board are the ones that remain in force with regard to the maximum amount payable annually to all the directors in their capacity as such.

Members of the Board do not receive subsistence allowances or any other additional payment in their capacity as such.

As regards the only member of the Board who performs executive duties, namely the Managing Director, his fixed payment for the said duties during the 2017 financial year amounted to €350,000. He also received the amount of €12,000 in the form of payment in kind.

#### A.4 Please explain the amount, nature and main features of the variable components of the remuneration schemes.

In particular:

- Identify each of the remuneration schemes of which the Directors are beneficiaries, their scope, date of approval, date of implementation, validity period and their main features. In the case of share options plans and other financial instruments, the general features of the scheme shall include information on the conditions for the exercise of such options or financial instruments for each scheme.
- Indicate any remuneration received under profit-sharing or bonus schemes, and the reason why they were granted.
- Explain the basic parameters and grounds for any annual bonus scheme.
- The categories of Directors (Executive Directors, External Proprietary Directors, External Independent Directors or other External Directors) who are beneficiaries of remuneration systems or plans that include variable remuneration.
- The basis of those variable remuneration systems or schemes, the performance assessment criteria chosen, as well as the assessment components and methods for determining whether or not said assessment criteria have been fulfilled and an estimation of the total absolute amount of variable remuneration to which the current remuneration scheme would give rise, based on the level of compliance with the assumption or goals used as the benchmark.
- Where appropriate, please provide information on any payment deferral periods that have been established and/or retention periods for shares or other financial instruments.

## Explain the variable components of the remuneration schemes

1. Identify each of the remuneration plans of which the Directors are beneficiaries, their scope, date of approval, date of implementation, validity period and their main features. In the case of share options plans and other financial instruments, the general features of the scheme shall include information on the conditions for the exercise of such options or financial instruments for each scheme.

The two long-term remuneration plans in place at MASMOVIL from which the Managing Director benefits are as follows:

a) MASMOVIL Share Options Plan approved by the Board on 30 September 2015 and ratified by the Ordinary General Meeting of Masmovil's Shareholders on 23 June 2016.

On 23 June 2016, the Ordinary General Meeting of Shareholders agreed to the issue of 500,000 bonds that would be convertible into Company shares, each with a par value of €20.42, amounting, as a consequence, to a total value of €10,210,000, for the purposes of executing the Share Options Plan for the management team and the Managing Director. At 31 December 2017, the conversion of these bonds into shares would represent 2.50% of the Company's share capital, the conversion ratio being fixed. The subscription of one bond gives the right to the subscription of one share. Conversion will be formally completed in all cases before 30 May 2018, provided that the beneficiaries comply with the terms and conditions set out in the Share Options Plan. The details of the said plan are as follows:

- Description and purpose: through the Share Options Plan, the Company granted the beneficiaries a certain number of non-transferable Options, free of charge, which offer the right to acquire ownership of an ordinary share in the Company through the acquisition and immediate and automatic conversion of a bond that is convertible into a share.

- Duration: from ratification by the General Meeting on 23 June 2016 until its expiry on 9 May 2018 (the Share Options Plan was approved by the Board on 30 September 2015).

- Beneficiaries: the Company's Managing Director (125,000 options), among other managers.

- Number of options: 500,000 options that would represent 2.5% of the Company's current share capital.

- Price of exercising the option: €20.42 per bond. The price corresponds to the value that results from the weighted average of the Company's listed share price on the Secondary Stock Markets during the 140 sessions immediately prior to 30 September 2015, the date on which the MASMOVIL Board of Directors approved the Share Options Plan for the management team of the MASMOVIL Group.

- Beneficiaries' permanent tenure at MASMOVIL: it will be necessary for the beneficiary to have maintained an uninterrupted employment contract (either ordinary, special, senior management or commercial) with the Group during the entire term of the Share Options Plan.

- Conversion of bonds: the bonds are mandatorily convertible into Company shares.

- Date of conversion: this will be the date of the resolution by the Board of Directors that approves the share capital increase through the conversion of the bonds into shares, which shall in all cases be before 31 May 2018.

b) The Company's Shares Appreciation Rights' Plan approved by the Extraordinary General Meeting of Shareholders on 1 March 2017.

On 1 March 2017, the General Meeting of Shareholders agreed the approval of a Shares Appreciation Rights' Plan to the benefit of the Managing Director, senior management and managers of MASMOVIL. This plan was initiated on 1 March 2017 and it will last for a maximum term of three (3) years and six (6) months. The details of the said plan are as follows:

- Description and purpose: the Plan consists of the award of a certain number of rights that may give rise to an extraordinary variable payment, in cash, based on an increase in the value of the Company's shares over an agreed period of time, taking the list price of the shares as a reference.

- Duration: from its approval on 1 March 2017 up to a maximum term of three (3) years and six (6) months. The time period that will be taken into account for the purposes of calculating the increase in the value of the shares began on 1 March 2017 and will end when the term of three years and six months has expired.

- Beneficiaries: the Company's Managing Director (570,000 rights), among other managers.

- Number of rights over the appreciation of the shares covered by the Plan: the number of rights over the appreciation of the

shares to be allocated to all the beneficiaries amounts to a total of 1,700,000, and the Board has allocated 570,000 of these rights to the Managing Director.

- Share price to be used as a reference: in order to calculate the variable payment due under the Plan, the initial individual value of each of the Company's shares is taken to be its weighted average list price over the last ninety stock market sessions prior to the date of the award to each beneficiary (i.e. €27.4767 per share). The final individual value of each of the Company's shares is taken to be its weighted average list price over the last ninety stock market sessions prior to the final date on which appreciation is calculated. This will give a differential between the initial price allocated and the final price calculated. This differential, multiplied by the number of rights, will give the extraordinary variable cash remuneration amount to be received by beneficiaries of this Plan.

- Consolidation of rights: rights shall be consolidated in accordance with the following timetable: (i) from the start date through the first year of the Plan, no rights shall be consolidated; (ii) from completion of the first year of the Plan's term until the date on which appreciation is to be calculated, between 20% and 70% of the rights initially awarded shall be consolidated using the straight line method, based on the number of months that elapse during this period; (iii) once the final date for calculation of appreciation has passed, up to the payment date, it shall be understood that 100% of the rights awarded are consolidated.

However, in the event that total EBITDA growth achieved by MASMOVIL between 2017 and 2019 is lower than 10%, 30% of the rights awarded to each beneficiary shall be withdrawn.

- Conditions for settlement under the Plan: beneficiaries shall be entitled to receive the incentive, provided that (i) the target for EBITDA growth between 2017 and 2019 is achieved, according to the Group's consolidated annual accounts, and (ii) certain minimum targets are achieved during the 2017 financial year, as established for each of the beneficiaries in the relevant letter inviting them to join the Plan.

In order to be entitled to receive any incentive that results from the Plan, where applicable, it will also be a necessary condition that the beneficiary continues to maintain an ordinary or senior executive employment relationship (or, in the case of the Managing Director, a commercial relationship) with the Company on the date on which the incentive is to be paid, notwithstanding the case of early settlement provided for in the said Plan.

2. Indicate any remuneration received under profit-sharing or bonus schemes, and the reason why they were granted.

No remuneration is payable in the form of profit-sharing to members of the Board in their capacity as such or to the Managing Director.

Notwithstanding the foregoing, the Managing Director is entitled to receive a variable annual bonus, consisting of 3% of 10% of the amount by which the target EBITDA figure is exceeded in 2017.

The main purpose of variable remuneration is to incentivise performance, directing it towards the targets set by the Company.

3. Explain the basic parameters and grounds for any annual bonus scheme.

The Managing Director is entitled to receive the following in the form of annual variable payment:

a) A variable payment consisting of 50% of his gross annual salary in the event that specific and quantifiable operational and financial targets are achieved, including the EBITDA target ("earnings before interest, tax, depreciation and amortization").

b) A variable payment consisting of 3% of 10% of the amount by which the target EBITDA figure is exceeded in 2017, where applicable. In the event that the said target is exceeded, 10% of the amount by which it is exceeded shall be shared between the managers who are beneficiaries of the Plan and the Managing Director. The latter shall be entitled to receive 3% of 10% of the amount by which the said target EBITDA figure is exceeded in 2017.

c) A variable three-yearly payment, which shall become due at the end of the 2018 financial year, and which is linked to the 2015-2018 Business Plan, in particular, the achievement of certain targets relating to overall turnover, EBITDA and broadband customers.

4. The categories of Directors (Executive Directors, External Proprietary Directors, External Independent Directors or other External Directors) who are beneficiaries of remuneration systems or plans that include variable remuneration.

Only the Managing Director (executive director) has the right to receive variable payment.

5. The basis of those variable remuneration systems or schemes, the performance assessment criteria chosen, as well as the assessment components and methods for determining whether or not said assessment criteria have been fulfilled and an estimation of the total absolute amount of variable remuneration to which the current remuneration scheme would give rise, based on the level of compliance with the assumption or goals used as the benchmark.

The basic aim of the variable payment systems and the two incentives is a long-term one, namely that of providing motivation and encouraging loyalty among the beneficiaries of these schemes, who include the Managing Director, while

at the same time offering them the opportunity to participate with the shareholders in the increased value of the Company's shares.

The aforementioned systems and plans are linked to the achievement of financial or business targets, or they are linked to an increase in the value of the Company's shares.

Finally, as regards the total amount of the variable payment due to the Managing Director, as mentioned in letters a) and c) above, when 100% of the targets set for receipt of that payment are met the amount due will total approximately €600,000.

In the case of the variable payment mentioned in letter b) of the foregoing section 3, and in the case of the two long-term incentives, the total amount will depend on the excess that is achieved over and above the target EBITDA and the listed value of MASMOVIL's shares on the date on which the options and rights are exercised.

6. Where appropriate, please provide information on any payment deferral periods that have been established and/or retention periods for shares or other financial instruments.

None exist.

**A.5 Please explain the main features of the long-term saving schemes, including retirement and any other survival benefit, either wholly or partially financed by the company and whether funded internally or externally, with an estimation of the equivalent annual amount or cost thereof, stating the type of scheme, whether it is a defined-contribution or benefit scheme, the conditions for the vesting of economic rights in favour of the Directors and the compatibility thereof with any kind of indemnity for early termination of the contractual relationship between the Company and the Director.**

Please also indicate any contributions made to defined contribution pension schemes on behalf of the Director; or the increase in vested rights of the Director, in the case of contributions to defined-benefit plans.

**Explain the long-term savings plans**

The Company has not assumed any obligation or made any undertaking in respect of pensions, retirement or similar items with any member of the Board.

**A.6 Please indicate any compensation agreed or paid in case of termination of duties as a Director.**

**Explain the compensation**

Managing Director is receiving at the time his Contract is terminated.

Furthermore, if, as the result of a company succession, the Managing Director's employment conditions are

A.7 Please indicate the conditions that must be included in the contracts for carrying out senior management duties as Executive Directors. Include information regarding, among other elements, the term, limits on compensation amounts, minimum fixed term clauses, prior notice periods, and payment in lieu of the aforementioned prior notice period, and any other clauses relating to hiring bonuses, as well as on benefits or golden parachutes due to early termination of the contractual relationship between the company and the Executive Director. Include, among others, any post-contractual clauses or contracts on non-competition, exclusivity, minimum fixed term or loyalty and post-contractual non-competition.

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### **Explain the terms of the Executive Director contracts**

The contract between the Company and the Managing Director has no defined term.

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There are no compensation clauses in the event of termination of the contract between the Company and the Managing Director other than those set out in the foregoing Clause A.6.

There are no minimum time commitment clauses.

The advance notice term in the event of the contract's termination by either of the parties is six months. However, this advance notice period shall not apply when termination is due to a breach of obligations by the party that is not terminating the Contract.

Furthermore, the said contract includes the following two clauses covering no competition and no post-contractual competition:

- a) While rendering his services, the Managing Director may not engage in activities that may compete with the Company's business as a telecommunications operator, either on his own or acting jointly with others, whether directly or indirectly, in his own name or through the provision of services to another business.
- b) During a period of one year following the termination of his special senior management position with the Company, the Managing Director may not offer his services in or to the territories in which the Company or its subsidiaries may, from time to time, engage in its business activities, either on his own or jointly with other people, regardless of whether he does so directly or indirectly, in his own name or through the provision of his services to another third party telecommunications operator.

In consideration of the inclusion of the clause referred to in the preceding paragraph, the Company shall pay the Managing Director an amount equal to the amount he is receiving as his gross annual payment (in respect of all payment items) in the year in which the termination of his employment contract with the Company occurs.



In the event of a breach by the Managing Director of his post-contractual non-compete obligation, he shall pay a total penalty for breach of contract amounting to 150% of the fixed annual payment he is receiving at the moment at which the Contract is terminated. This shall release him from any other compensation or claims for damages.

Finally, the contract establishes an obligation to render services to the Company exclusively and on a full-time basis, and the Managing Director may not render his services, either on his own behalf or on behalf of others, directly or indirectly, to any third party not connected with the MASMOVIL Group, unless he has the Company's express consent.

**A.8 Please explain any supplementary remuneration accrued by the Directors in consideration of services provided other than those inherent in their position.**

**Explain the supplementary remuneration**

There is no supplementary remuneration for services rendered to the Company by members of the Board.

**A.9 Please indicate any remuneration in the form of advances, loans and guarantees granted, with an indication of the interest rate, main features and amounts potentially returned, as**

**well as the obligations assumed on their behalf as a guarantee**

**Explain the advances, loans and guarantees granted**

During the last financial year, the Managing Director of MASMOVIL has not received any advances or loans of any kind:

- a) Use of a vehicle.
- b) Health insurance.
- c) Fuel.
- d) Life Assurance.
- e) Restaurant vouchers.

**A.10 Please explain the main features of the remunerations in kind.**

The total amount of this remuneration in kind has been €12,000.

**A.11 Indicate the remunerations accrued by the Director by virtue of the payments made by the listed company to a third entity to which the Director provides services, when these payments are aimed at remunerating the Director's services at the company.**

**Explain the remunerations accrued by the Director by virtue of the payments made by**

**the listed company to a third party entity to which the Director provides services**

No remunerations of this kind have accrued.

**A.12 Any other remuneration item different from those listed above, of whatever nature or which group company made said payment, especially when it is considered a related-party transaction or its issue distorts the true view of the total remuneration accrued by the Director.**

**Explain the other remuneration items**

There are no remuneration items other than those indicated in the preceding sections.

**A.13 Please explain the actions taken by the company regarding the remuneration scheme in order to reduce exposure to excessive risks and align it with the long-term goals, values and interests, including any reference to measures provided to ensure that the**

remuneration policy takes into account the long-term results of the company, measures which establish an appropriate balance

Finally, in terms of the regulation of remunerations, the Appointments and Remuneration Committee respects criteria of independence with regard to the Committee's composition and debates. Furthermore, any decisions by the Board of Directors that may affect the payment made to the Managing Director are approved without the director in question being involved in the discussion or voting.

between the fixed and variable components of remuneration, measures adopted for those categories of personnel whose professional activities have a material impact on the company's risk profile, debt collection formulas or clauses to claim a refund of results-based variable components of the remuneration if those components have been paid according to data which has subsequently proved to be clearly inaccurate, and measures to avoid any conflicts of interest, where appropriate

## B PROJECTED REMUNERATION POLICY FOR FUTURE YEARS

Revoked.

## C OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED LAST YEAR

C.1 Please summarise the main features of the structure and item of remuneration from the remuneration policy applied during the closed year, which give rise to the breakdown of individual remuneration accrued by each of the Directors as reflected in section D of this report, as well as a summary of the decisions made by the Board to apply such items.

### Explain the structure and the remuneration items of the remuneration policy applied during the year

The following section contains a summary of the payment structure and items included in the remuneration policy applied in respect of members of the Board of Directors during 2017:

Remuneration of members of the Board in their capacity as such. €626,000

Pursuant to the contents of Article 38 of the Articles of Association, the MASMOVIL Board of Directors agreed to distribute the maximum amount approved by the General Meeting of Shareholders which, as far as the last financial year 2017 was concerned, included the following periods:

a) Resolution adopted by the Ordinary General Meeting of Shareholders on 23 June 2016, which agreed to set the said maximum figure for the period between 1 July 2016 and 30 June 2017 in the amount of €300,000.

In turn, the Company's Board of Directors agreed at a meeting to distribute this amount among its members over the said period, taking account of the duties and responsibilities allocated to each of them and to their membership of the Board's committees, distributing it in the following manner:

i) Board Member (Independent): €18,000/year.

ii) Chairman of the Board: €60,000/year.

On this date, the Company only paid its independent directors, except for Antonio García Ortiz (proprietary), who was allocated €18,000 per annum.

b) Resolution adopted by the Extraordinary General Meeting of Shareholders on 4 November 2016, which agreed to set the said maximum figure approved by the Meeting mentioned in the foregoing point a) in the amount of €600,000, bearing in mind the incorporation of five new members of the Board.

On 4 October 2016, the Company's Board of Directors agreed to distribute this amount among its members, in the event that the said payment was approved by the Shareholders, during the said period from 1 July 2016 to 30 June 2017, taking account of the duties and responsibilities allocated to each of them and to their membership of the Board's committees, in the following manner:

- i) Board Member: €40,000/year.
- ii) Chairman of the Board: €40,000/year.
- iii) Chairman of the Audit and Monitoring Committee: €25,000/year.
- iv) Chairman of the Appointments and Remuneration Committee: €23,000/year.
- v) Member of the Audit and Monitoring Committee (not combinable with being Chairman of this Committee): €4,000/year.
- vi) Member of the Audit and Monitoring Committee (not combinable with being Chairman of this Committee): €4,000/year.

The said amount of €600,000 replaced the amount approved by the Meeting of 23 June 2016, and it applied with effect from the date of its approval by the Shareholders, without retroactive effect.

c) Resolution adopted by the Ordinary General Meeting of Shareholders on 22 June 2017, which agreed to set the said maximum figure for the annual remuneration of all the directors in their capacity as such in the amount of €750,000 for the period between 1 July 2017 and 30 June 2018.

In turn, the Company's Board of Directors agreed at a meeting held on the same date to distribute this amount among its members over the said period, taking account of the duties and responsibilities allocated to each of them and to their membership of the Board's committees, distributing it in the following manner:

- i) Board Member: €48,000/year.
- ii) Chairman of the Board: €72,000/year.
- iii) Chairman of the Audit and Monitoring Committee: €30,000/year.
- iv) Chairman of the Appointments and Remuneration Committee: €25,000/year.
- v) Member of the Audit and Monitoring Committee (not combinable with being Chairman of this Committee): €8,000/year.
- vi) Member of the Audit and Monitoring Committee (not combinable with being Chairman of this Committee): €6,500/year.

Remuneration of the Managing Director:

The remuneration received by the Managing Director during the 2017 financial year was as follows:

- i) Fixed remuneration: €350,000.
- ii) Variable remuneration: €100,000.
- iii) Remuneration in kind: €12,000.
- iv) Rights or options over shares: on the date of this Report, the Managing Director has been allocated 125,000 options over convertible bonds under the MASMOVIL Share Options Plan, and 570,000 rights under the Company's Shares Appreciation Rights' Plan.

## D BREAKDOWN OF INDIVIDUAL REMUNERATION ACCRUED BY EACH OF THE DIRECTORS

Name	Type	Accrual period 2017
EDUARDO DíEZ HOCHLEITNER RODRÍGUEZ	Independent	From 01/01/2017 to 31/12/2017.
MEINRAD SPENGER	Executive Director	From 01/01/2017 to 31/12/2017.
KEY WOLF, S.L	Proprietary Director	From 01/01/2017 to 31/12/2017.
JOSEP MARÍA ECHARRI TORRES	Proprietary Director	From 01/01/2017 to 31/12/2017.
FELIPE FERNÁNDEZ ATELA	Independent	From 01/01/2017 to 31/12/2017.
ANTONIO GARCÍA ORTIZ	Proprietary Director	From 01/01/2017 to 31/12/2017.
ANGEL MANUEL GARCÍA ALTOZANO	Other External	From 01/01/2017 to 31/12/2017.
CRISTINA ALDÁMIZ-ECHEVARRÍA GONZÁLEZ DE DURANA	Other External	From 01/01/2017 to 31/12/2017.
JOHN CARL HAHN	Proprietary Director	From 01/01/2017 to 31/12/2017.
ROBERT SUDO	Proprietary Director	From 01/01/2017 to 31/12/2017.
BORJA FERNÁNDEZ ESPEJEL	Independent	From 01/01/2017 to 31/12/2017.
PILAR ZULUETA DE OYA	Independent	From 01/01/2017 to 31/12/2017.

D.1 Please complete the following tables in relation to the individual remuneration of each of the Directors (including the remuneration for the financial year for executive duties) accrued during the financial year.

a) Remuneration accrued within the company covered by this report:

i) Cash remuneration (Thousand euros)

Name	Salaries	Fixed remuneration	Allowances	Short-term variable remuneration	Long-term variable remuneration	Remuneration for members of Board Committees	Compensation	Other items	Total 2017	Total 2016
EDUARDO DíEZ HOCHLEITNER RODRÍGUEZ	0	111	0	0	0	0	0	0	111	0

KEY WOLF, S.L	0	44	0	0	0	0	0	0	44	0
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Name	Salaries	Fixed remuneration	Allowances	Short-term variable remuneration	Long-term variable remuneration	Remuneration for members of Board Committees	Compensation	Other items	Total 2017	Total 2016
PILAR ZULUETA DE OYA	0	50	0	0	0	0	0	0	50	0
BORJA FERNÁNDEZ ESPEJEL	0	71	0	0	0	0	0	0	71	0
FELIPE FERNÁNDEZ ATELA	0	68	0	0	0	0	0	0	68	0
CRISTINA ALDÁMIZ-ECHEVARRÍA GONZÁLEZ DE DURANA	0	44	0	0	0	0	0	0	44	0
ANGEL MANUEL GARCÍA ALTOZANO	0	44	0	0	0	0	0	0	44	0
ROBERT SUDO	0	50	0	0	0	0	0	0	50	0
JOHN CARL HAHN	0	49	0	0	0	0	0	0	49	0
ANTONIO GARCÍA ORTIZ	0	44	0	0	0	0	0	0	44	0
JOSEP MARÍA ECHARRI TORRES	0	50	0	0	0	0	0	0	50	0
MEINRAD SPENGER	0	350	0	100	0	0	0	12	462	671

## ii) Shared-based remuneration schemes

MEINRAD SPENGER Shares Appreciation Rights' Plan												
Implementation Date	Ownership of options at the beginning of 2017						Options assigned during 2017					
	No. of Options	Share affected	Price (€)	Term			No. of Options	Shares affected	Price (€)	Term		
01/03/2017	0	0	0.00	N/A			570,000	570,000	0.00	September 2020		
Conditions: see section A.4												
Shares delivered during 2017			Options exercised during 2017				Options sold and not	Options at the end of 2017				
No. of Shares	Price	Amount	Price (€)	No. of Options	Shares affected	Gross Profit (Thousand)	No. of Options	No. of Options	Shares affected	Price (€)	Term	
0	0.00	0	0.00	0	0	0	0	570,000	0	0.00	September 2020	
Other requirements of the trading year: see section A.4												

MEINRAD SPENGER Company Share Options Plan approved by the General Meeting of Shareholders on 23 June 2016												
Implementation Date	Ownership of options at the beginning of 2017						Options assigned during 2017					
	No. of Options	Shares affected	Price (€)	Term			No. of Options	Shares affected	Price (€)	Term		
23/06/2016	125,000	125,000	20.42	Between 04 and 07 May 2018, both inclusive			0	0	0.00	0		
Conditions: see section A.4												
Shares delivered during 2017			Options exercised during 2017				Options sold and not	Options at the end of 2017				
No. of Shares	Price	Amount	Price (€)	No. of Options	Shares affected	Gross Profit (Thousand euros)	No. of Options	No. of Options	Shares affected	Price (€)	Term	
0	0.00	0	0.00	0	0		0	125,000	125,000	0.00	May 2018	
Other requirements of the trading year: see section A.4												



**iii) Long-term savings plans**

**b) Remunerations accrued by the Directors for belonging to Boards at other group companies:**

**i) Cash remuneration (Thousand euros)**

**ii) Shared-based remunerations schemes**

**iii) Long-term savings plans**

**c) Summary of remunerations (Thousand euros):**

The summary should include the amounts corresponding to all remunerated items, including those indicated in this report which the Director has accrued in thousands of euros.

In the case of the Long-term Savings Plans, they include contributions or funding for these types of plans:

Name	Remuneration accrued within the Company				Remuneration accrued within group companies				Total		
	Total cash remuneration	Amount of shares granted	Gross profit of the exercised options	Company total 2017	Total cash remuneration	Amount of shares delivered	Gross profit of the exercised options	Group total 2017	Total 2017	Total 2016	Contribution to savings plans during the year
		0		111				0	111	50	0
MEINRAD SPENGER	462	0	0	462	0	0	0	0	462	671	0
KEY WOLF, S.L	44	0	0	44	0	0	0	0	44	6	0
JOSEP MARÍA ECHARRI TORRES	50	0	0	50	0	0	0	0	50	7	0
ANTONIO GARCÍA ORTIZ	44	0	0	44	0	0	0	0	44	6	0
JOHN CARL HAHN	49	0	0	49	0	0	0	0	49	7	0
ROBERT SUDO	50	0	0	50	0	0	0	0	50	7	0
ANGEL MANUEL GARCÍA ALTOZANO	44	0	0	44	0	0	0	0	44	6	0
CRISTINA ALDÁMIZ-ECHEVARRÍA GONZÁLEZ DE DURANA	44	0	0	44	0	0	0	0	44	6	0
FELIPE FERNÁNDEZ ATELA	68	0	0	68	0	0	0	0	68	10	0
BORJA FERNÁNDEZ ESPEJEL	71	0	0	71	0	0	0	0	71	10	0
PILAR ZULUETA DE OYA	50	0	0	50	0	0	0	0	50	7	0
<b>TOTAL</b>	<b>1,087</b>	<b>0</b>	<b>0</b>	<b>1,087</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,087</b>	<b>793</b>	<b>0</b>

**D.2 Please report the relationship between remuneration obtained by the Directors and the results or other measures of the entity's performance, explaining, if applicable, how any changes in the company's performance may have influenced changes in the remuneration of the Directors.**

Only the payment made to the Managing Director for the performance of his executive duties is linked, in part, to the Company's results.

Thus, the variable remuneration systems that apply annually to the Managing Director (i.e. the variable payment consisting of 50% of his gross annual salary, the variable payment accruing every three years and the amount resulting from duplication of the variable bonus, or "double-up"), along with the Company's Shares Appreciation Rights' Plan approved by the General Meeting of Shareholders on 1 March 2017, are linked to specific and quantifiable operational and financial targets, including the EBITDA target ("earnings before interest, tax, depreciation and amortization").

**D.3 Please report the results of the consultative vote of the General Shareholders Meeting with regard to the Annual Remuneration report for the preceding year, indicating the number of votes against, if any:**

	% of the total	
<b>Votes cast</b>	0	0.00%

	% of the total	
<b>Votes against</b>	0	0.00%
<b>Votes in favour</b>	0	0.00%
<b>Abstentions</b>	0	0.00%

## **E OTHER INFORMATION OF INTEREST**

If there are any significant aspects of Directors' remuneration which have not been mentioned in the previous sections of this report, but which should be included in the interests of providing comprehensive and reasoned information on the remunerative structure and practices of the company regarding its Directors, please provide details in brief.

It is recorded herein that the Managing Director, Meinrad Spenger, has not received any payment in his capacity as director. The total maximum payment for all the directors was approved by the Ordinary General Meeting of Shareholders on 23 June 2016 in the amount of €750,000, and this was distributed among the directors by agreement of the Company's Board of Directors on 22 June 2017, with €48,000 allocated to Meinrad Spenger.

As already mentioned throughout this report, this amount relates to the period between 1 July 2017 and 30 June 2018.

This annual report on remunerations has been approved by the Company Board of Directors, in its meeting held on 03/04/2018.

Indicate whether there have been Directors who have voted against or abstained in connection with the approval of this Report.

Yes

No X

□ |



## **ITEM ELEVEN ON THE AGENDA**

**Authorisation to reduce the advance notice period for the convening of Extraordinary General Meetings of Shareholders, pursuant to the contents of Article 515 of the Spanish Capital Companies Act.**

Pursuant to the contents of Article 515 of the Spanish Capital Companies Act, it is agreed to authorise and approve the convening of extraordinary general meetings of the Company's shareholders with a minimum of fifteen (15) days notice, provided that the Company offers shareholders the effective possibility of voting electronically and this channel is available to all of them. This authorisation is granted until the date on which the next ordinary general meeting of the Company's shareholders is held.

## **ITEM TWELVE ON THE AGENDA**

**Delegation of powers for the formalisation, correction, entry, interpretation, implementation and execution of the resolutions adopted by the General Meeting of Shareholders and power of attorney to formally file the annual accounts.**

To grant all the members of the Board of Directors, including the Secretary and Non-Board Member Alberto Castañeda González, so that each of them, acting jointly and severally, may (i) appear before a Notary Public in order to place the foregoing resolutions on public record, and execute the relevant public deed, including the clauses, representations and warranties that are deemed expedient and that arise directly or indirectly from the said resolutions; (ii) make any clarifications or corrections that may be necessary or expedient and, in general, execute any private and/or public documents that may be required in order to implement the foregoing resolutions, as well as taking any action that may be necessary in order to enter the said resolutions in the public registry; and, in particular (iii) proceed with the submission of the certificate recording the resolutions approving the annual accounts and the application of the result, for filing at the Mercantile Registry, as well as executing any public or private documents that may be necessary until the resolutions adopted have been properly entered at the Mercantile Registry, including a request for partial entry, with the power to make corrections or amendments as a result of the verbal or written observations made by the Mercantile Registry.

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**Sole Annex**  
**Ordinary General Shareholders' Meeting of Masmovil Ibercom, S.A., of May 4<sup>th</sup>, 2018**

**Quorum: 16.045.771 shares, which represents 80,425% of all the Company's shares (19.951.100).**

**Shares without right to vote (treasury stock): 23.807 shares, which represents 0,119% of all the Company's shares (19.951.100).**

<b>Point 1</b>	<i>Examination and, if appropriate, approval of the Individual Annual Accounts (Balance Sheet, Profit and Loss Account, Statement of the Changes in the Net Equity, Cash Flow Statement and Notes) and the Individual Management Report with respect to the financial year ended on December 31st, 2017.</i>	<b>In favour</b>	<b>Against</b>	<b>Abstentions</b>
	<i>Total</i>	<b>15.992.844</b>	<b>0</b>	<b>29.120</b>
	<i>% of votes</i>	<b>99,671%</b>	<b>0%</b>	<b>0,181%</b>
<b>Point 2</b>	<i>Examination and, if appropriate, approval of the Consolidated Annual Accounts (Consolidated Balance Sheet, Consolidated Profit and Loss Account, Consolidated Statement of the Changes in the Net Equity, Consolidated Cash Flow Statement and Consolidated Notes) and Consolidated Management Report of the Company and its affiliates with respect to the financial year ended on December 31st, 2017.</i>	<b>In favour</b>	<b>Against</b>	<b>Abstentions</b>
	<i>Total</i>	<b>15.992.844</b>	<b>0</b>	<b>29.120</b>
	<i>% of votes</i>	<b>99,671%</b>	<b>0%</b>	<b>0,181%</b>
<b>Point 3</b>	Examination and, if appropriate, approval of the proposal of application of the Company's results of the financial year ended on December 31st, 2017.	<b>In favour</b>	<b>Against</b>	<b>Abstentions</b>
	<i>Total</i>	<b>16.021.964</b>	<b>0</b>	<b>0</b>
	<i>% of votes</i>	<b>99,852%</b>	<b>0%</b>	<b>0%</b>
<b>Point 4</b>	<i>Examination and, if appropriate, approval of the management of the Board of Directors during the financial year ended on December 31st, 2017.</i>	<b>In favour</b>	<b>Against</b>	<b>Abstentions</b>



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	<i>Total</i>	<b>15.761.731</b>	<b>0</b>	<b>260.233</b>
	<i>% of votes</i>	<b>98,230%</b>	<b>0%</b>	<b>1,622%</b>
<b>Point 5</b>	<i>Reelection of KPMG Auditores, S.L. as auditors of the Company and its Consolidated Group for the year 2018.</i>	<b>In favour</b>	<b>Against</b>	<b>Abstentions</b>
	<i>Total</i>	<b>16.006.693</b>	<b>15.271</b>	<b>0</b>
	<i>% of votes</i>	<b>99,757%</b>	<b>0,095%</b>	<b>0%</b>
<b>Point 6</b>	<i>Reelection of Mr. Meinrad Spenger as member of the Board for the statutory term of four years.</i>	<b>In favour</b>	<b>Against</b>	<b>Abstentions</b>
	<i>Total</i>	<b>14.055.048</b>	<b>1.735.855</b>	<b>231.061</b>
	<i>% of votes</i>	<b>87,594%</b>	<b>10,818%</b>	<b>1,440%</b>
<b>Point 7</b>	<i>Split of the number of shares in which the Company's share capital is divided into, in the proportion of 5 new shares per each current share, by way of the reduction of the unitary face value of each share from €0.10 to €0.02, without amending the share capital. Delegation of faculties.</i>	<b>In favour</b>	<b>Against</b>	<b>Abstentions</b>
	<i>Total</i>	<b>16.014.264</b>	<b>7.700</b>	<b>0</b>
	<i>% of votes</i>	<b>99,804%</b>	<b>0,048%</b>	<b>0%</b>
<b>Point 8</b>	<i>Amendment of article 38 ("Remuneration") of the Company's By-laws.</i>	<b>In favour</b>	<b>Against</b>	<b>Abstentions</b>
	<i>Total</i>	<b>16.021.844</b>	<b>0</b>	<b>120</b>
	<i>% of votes</i>	<b>99,851%</b>	<b>0%</b>	<b>0,001%</b>

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<b>Point 9</b>	<i>Approval, for the purposes of article 529 novodecies of the Capital Companies Law, of the Directors' Remuneration Policy.</i>	<b>In favour</b>	<b>Against</b>	<b>Abstentions</b>
	<i>Total</i>	<b>14.182.441</b>	<b>1.608.245</b>	<b>231.278</b>
	<i>% of votes</i>	<b>88,388%</b>	<b>10,023%</b>	<b>1,441%</b>
<b>Point 10</b>	<i>Consultative vote on the Annual Report on Directors' Remuneration for the year 2017.</i>	<b>In favour</b>	<b>Against</b>	<b>Abstentions</b>
	<i>Total</i>	<b>15.709.573</b>	<b>81.113</b>	<b>231.278</b>
	<i>% of votes</i>	<b>97,905%</b>	<b>0,506%</b>	<b>1,441%</b>
<b>Point 11</b>	<i>Authorisation to shorten the period for calling Extraordinary Shareholders' Meetings, pursuant to the provisions of article 515 of the Capital Companies Law.</i>	<b>In favour</b>	<b>Against</b>	<b>Abstentions</b>
	<i>Total</i>	<b>15.834.068</b>	<b>187.896</b>	<b>0</b>
	<i>% of votes</i>	<b>98,681%</b>	<b>1,171%</b>	<b>0%</b>
<b>Point 12</b>	<i>Delegation of powers to formulate, rectify, register, interpret, implement and execute the resolutions adopted by the General Meeting and powers to formalise the deposit of the annual accounts.</i>	<b>In favour</b>	<b>Against</b>	<b>Abstentions</b>
	<i>Total</i>	<b>16.021.964</b>	<b>0</b>	<b>0</b>
	<i>% of votes</i>	<b>99,852%</b>	<b>0%</b>	<b>0%</b>