



COMMUNICATION OF A RELEVANT FACT

MASMOVIL GROUP

February 27, 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

MASMOVIL announced today that it has signed comprehensive agreements with Orange Espagne, S.A. y Orange España Comunicaciones Fijas, S.L.U. ("Orange") to support its growth and the efficient rollout of its fixed and mobile network infrastructure.

The agreements include:

- 1) The expansion of the existing joint Fiber-to-the-Home ("FTTH") agreement by a minimum of 2 million Business Units ("BU"), extending MASMOVIL's own FTTH footprint to 6.5 million BU over the next 2 years.
- 2) Modifications and improvements to the existing wholesale bitstream contract for the usage of Orange's FTTH network encompassing over 8 million BU.
- 3) Revisions to the terms of the current Site Sharing agreement including access to approximately 5,600 mobile sites creating the option to double cost-efficiently the size of MASMOVIL's own mobile network.
- 4) Improvement of the economic conditions of the existing mobile National Roaming agreement which is extended.
- 5) Amendments to the current national Data Transmission agreement with improved unitary pricing and reasonable minimum commitments.

Overall, as a result of these agreements, MASMOVIL will be able to provide more on-net services to its customers in both fixed and mobile while increasing its flexibility to manage its cost base and ensure quality of service.

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FTTH Deployment and Bitstream

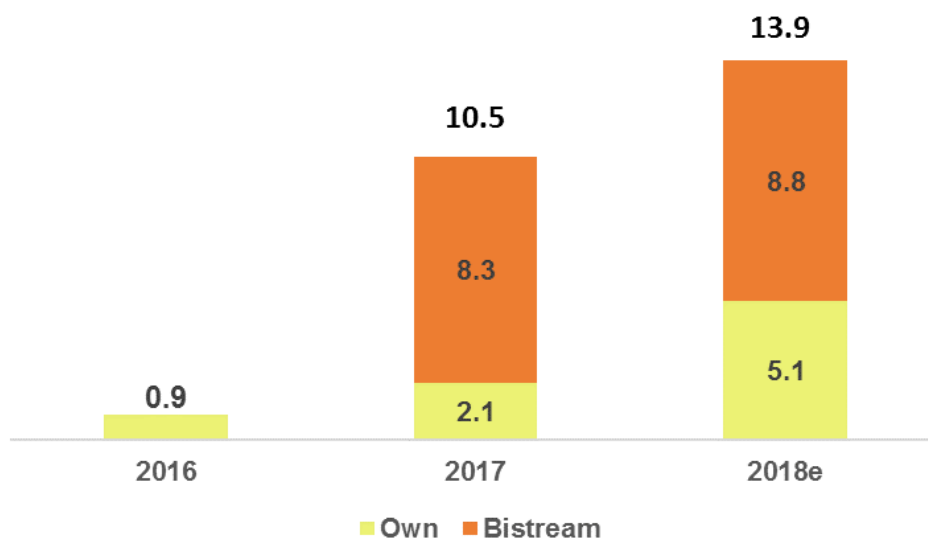
Orange and MASMOVIL have agreed to expand their existing FTTH co-investment framework and share CAPEX for the build out of 4.4M additional FTTH BU as well as maintenance OPEX. Therefore, MASMOVIL expects to increase its own FTTH footprint to 6.5M BU over the next 2 years:

- MASMOVIL has 2.1M own FTTH BU as of December 31, 2017.
- Under existing agreements, MASMOVIL had previously agreed to co-invest with Orange for an additional 2.4M BU's (as detailed in the Companies' Prospectus for its listing in the Spanish Main Stock Market (dated July 2017)).
- The new Orange agreement covers an incremental 2.0M BU and if fully built would increase MASMOVIL's own FTTH footprint to 6.5M BU.
- Total required network net investment for the future build-out is approximately 330M€ (or €70-75 per FTTH home), which results in relevant Capex savings for the 4.4M incremental BU relative to a standalone scenario.
- MASMOVIL believes that it can earn an unlevered pre-tax return in excess of 20% on its FTTH network investment.
- The new agreement also includes the sharing of network maintenance OPEX and includes a volume-based cost reduction which will materialize over the coming years.

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

MASMOVIL expects to end 2018 with 5.1M own FTTH BU and a total FTTH footprint of almost 14M BU including the ones on Orange network:

MASMOVIL total expected FTTH Footprint (M BU's)



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In summary, MASMOVIL believes that the FTTH agreements with Orange in combination with the additional regulated access to Telefónica's fiber network provided under NEBA and VULA (expected to be in place by mid-2018) will improve its competitive position in the Spanish broadband market.

Mobile Roaming and Site Sharing

MASMOVIL's revised Mobile Site Sharing and National Roaming agreements with Orange provide long-term visibility and stability for MASMOVIL's mobile business by:

- Improving the terms of the existing site sharing and roaming agreements.
- Creating an option to double the size of MASMOVIL's mobile network at cost-efficient terms through active and passive infrastructure sharing in up to 5,600 sites. This option can be exercised over the next 5 years. If the full program were to be implemented, the total investment requirement would be approximately 50M€ cumulative Capex over 2018-2022, which implies relevant Capex savings (vs. 30-40k€/site of a standard deployment) and of ca. one third in terms of annual Opex reduction relative to a standalone solution.
- Further increasing predictability and stability of mobile roaming and network costs over the medium term.

Transmission

MASMOVIL collaborates with Orange in data transmission services with a volume based variable cost model. The revised agreement will leverage Orange's investments and network reach in a cost-efficient manner for MASMOVIL, resulting in a reduction of unitary transmission costs and avoidance of significant own transmission investments, with reasonable minimum commitments.

Conclusion

The comprehensive agreements executed with Orange should meaningfully improve the competitive position of MASMOVIL. They pave the way for the efficient expansion of MASMOVIL's fixed and mobile networks resulting in the potential to increase the size of the fixed network by a factor of three and the mobile network by a factor of two. As a result, the Company will be able to provide its current and future customers with more on-net, high quality services while increasing its flexibility to manage its cost base.

Madrid, February 27, 2018.

D. Meinrad Spenger
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