Earnings Presentation Q4 2017

28th of February 2017

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

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MASMOVIL – 2017 accomplishments

Successful network migration

Launched new products – Yoigo and Pepephone broadband

Refined market positioning of brands in our portfolio

Continued to lead in customer experience

ARPU growth supported by upselling and reduction of discounts

Expanded FTTH footprint by 10x

Won several industry accolades recognizing our progress

- Best 2017 Broadband Operator(1)
- Best 2017 Fibre Operator(2)
- Fastest 3G / 4G Operator(3)
- M&A Deal of the Year(4)

1. By ADSL Zone
2. By Grupo Informatico
3. By Tutela
4 By TMT Finance

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MASMOVIL – FY17 Results Highlights

Beat revised guidance for FY17 on all fronts
Exceeded Revenue, EBITDA and Clients targets

One of the fastest growing European Telecom operators

Mobile postpaid + broadband lines grew by 946k

Strengthened partnership with Orange
Upsized FTTH co-investment & terms for NRA/Transmission

Guidance for 2018 and mid-term plan reflect operating momentum

MASMOVIL beat revised guidance on all fronts

Operating momentum of the company has continued to strengthen over 2017 and permitted to exceed all targets

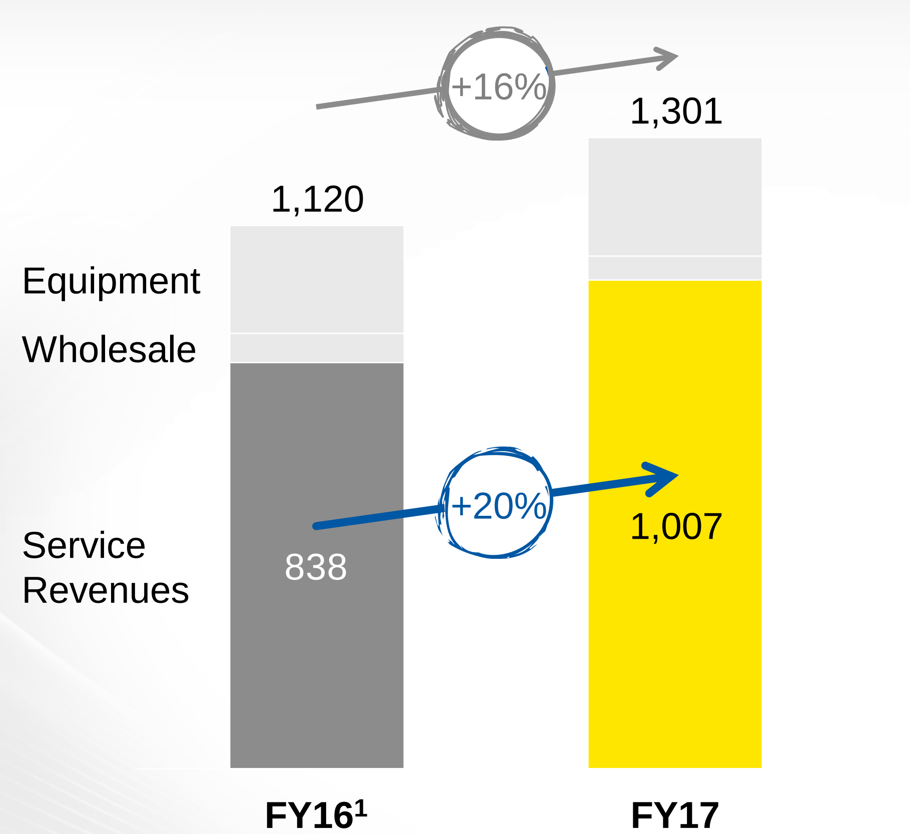
		Initial guidance	Revised guidance	2017 Actual
Subscribers	Total combined net increase in fixed broadband lines and mobile post-paid lines	+500k	+800k	+946k
Service Revenues	Growth in Service Revenues	+10%	+18%	+20%
Recurrent EBITDA	Recurrent EBITDA (before one-off costs)	> 200M€	235M€	238M€

SOURCE: Company

Service Revenues FY17

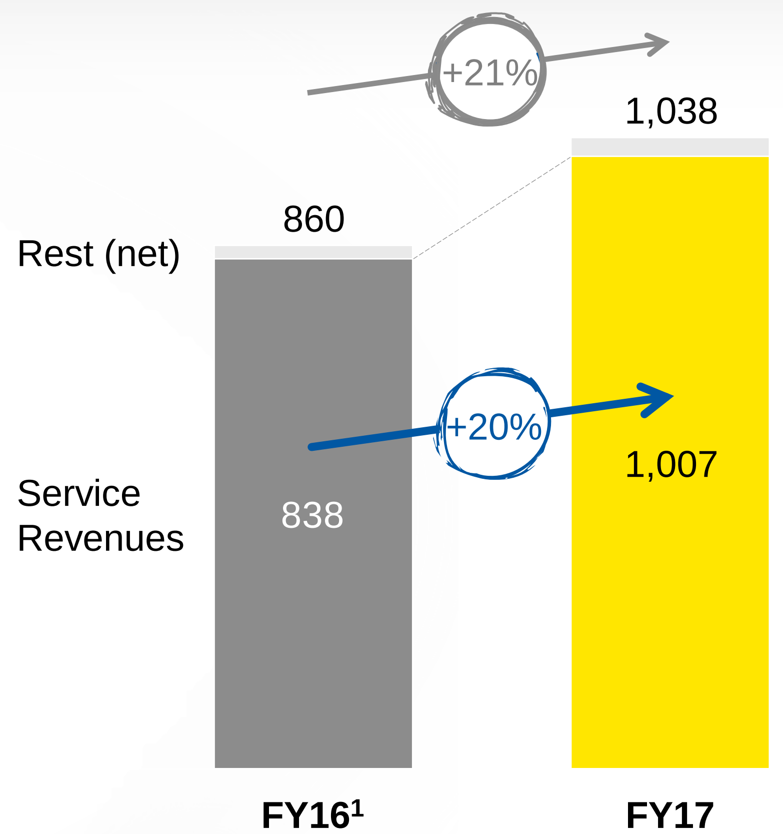
Service revenues +20%, Total revenues +16% and Net revenues +21% YoY
FY16 vs. FY17; €M

Revenues



Net Revenues[2]

% YoY growth

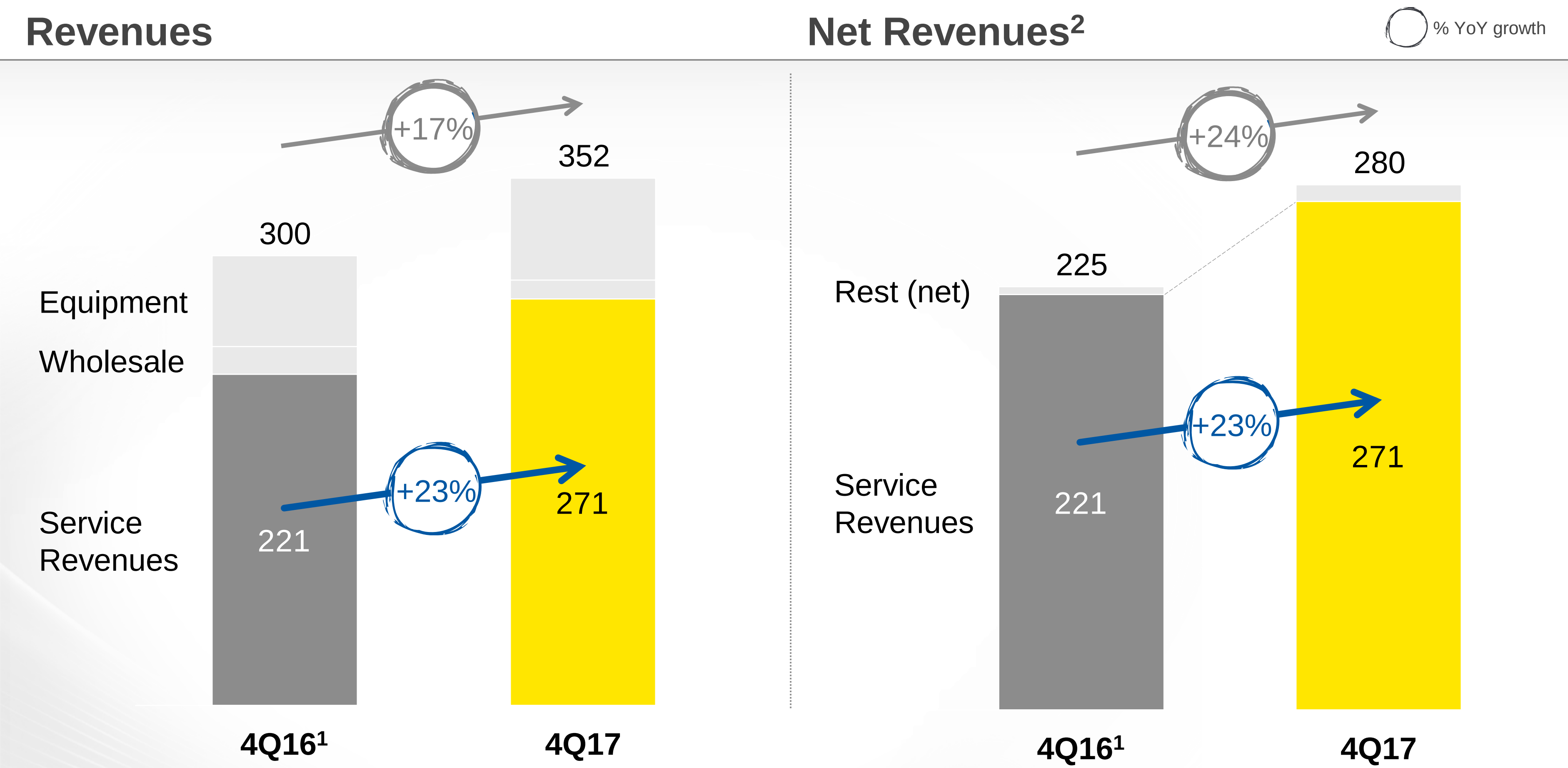


1 Proforma
2 Net Revenues: Service revenues plus gross profit contribution from Equipment and Wholesale revenue

SOURCE: Company

Service Revenues 4Q17

Service revenues +23%, Total revenues +17% and Net revenues +24% YoY
4Q16 vs. 4Q17; €M



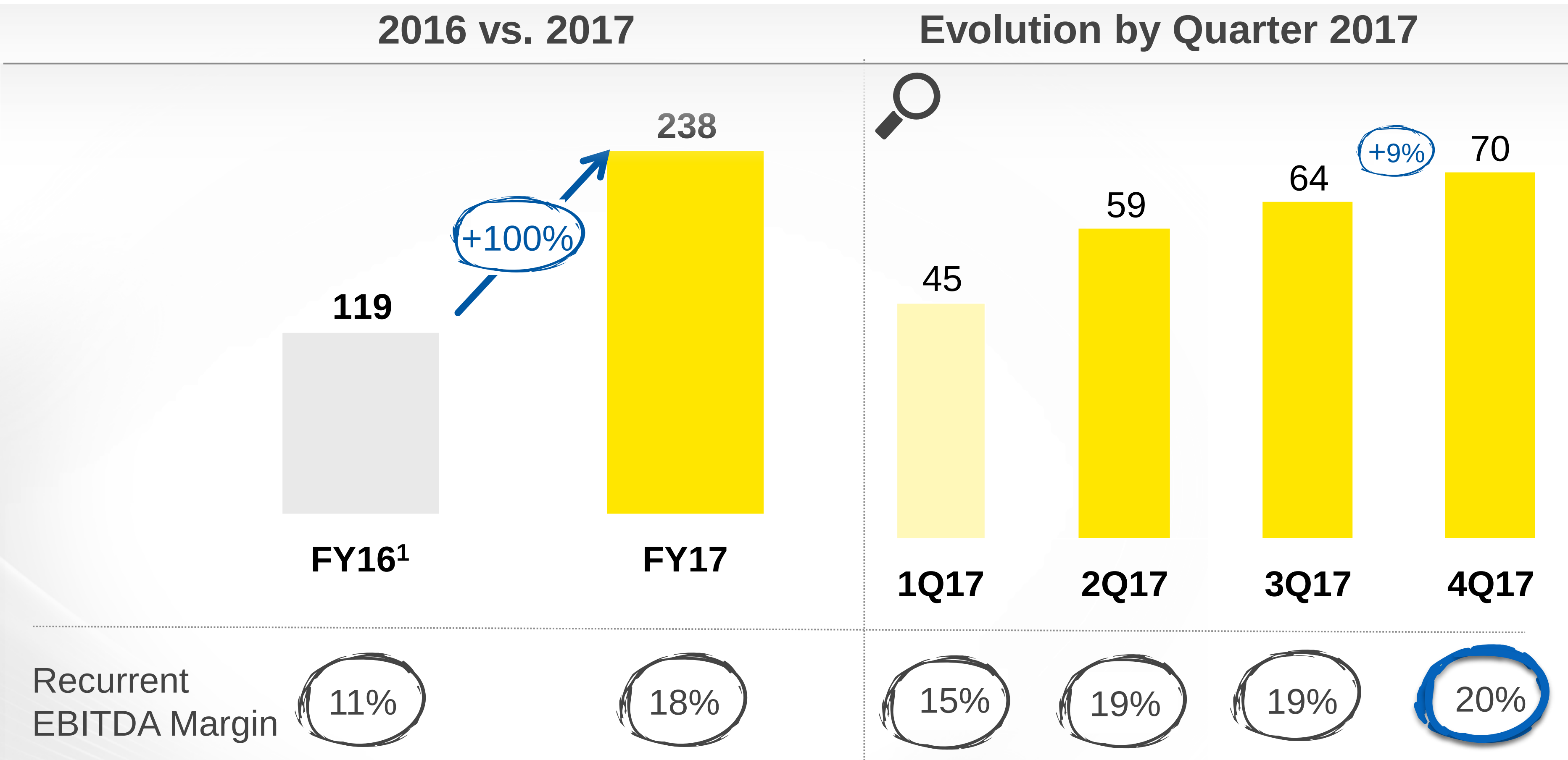
1 Proforma
2 Net Revenues: Service revenues plus gross profit contribution from Equipment and Wholesale revenues

SOURCE: Company

Recurrent EBITDA doubled in FY17

EBITDA continues to accelerate QoQ and grew 9% in 4Q17 vs. 3Q17. EBITDA margin at 18% for FY17

€M

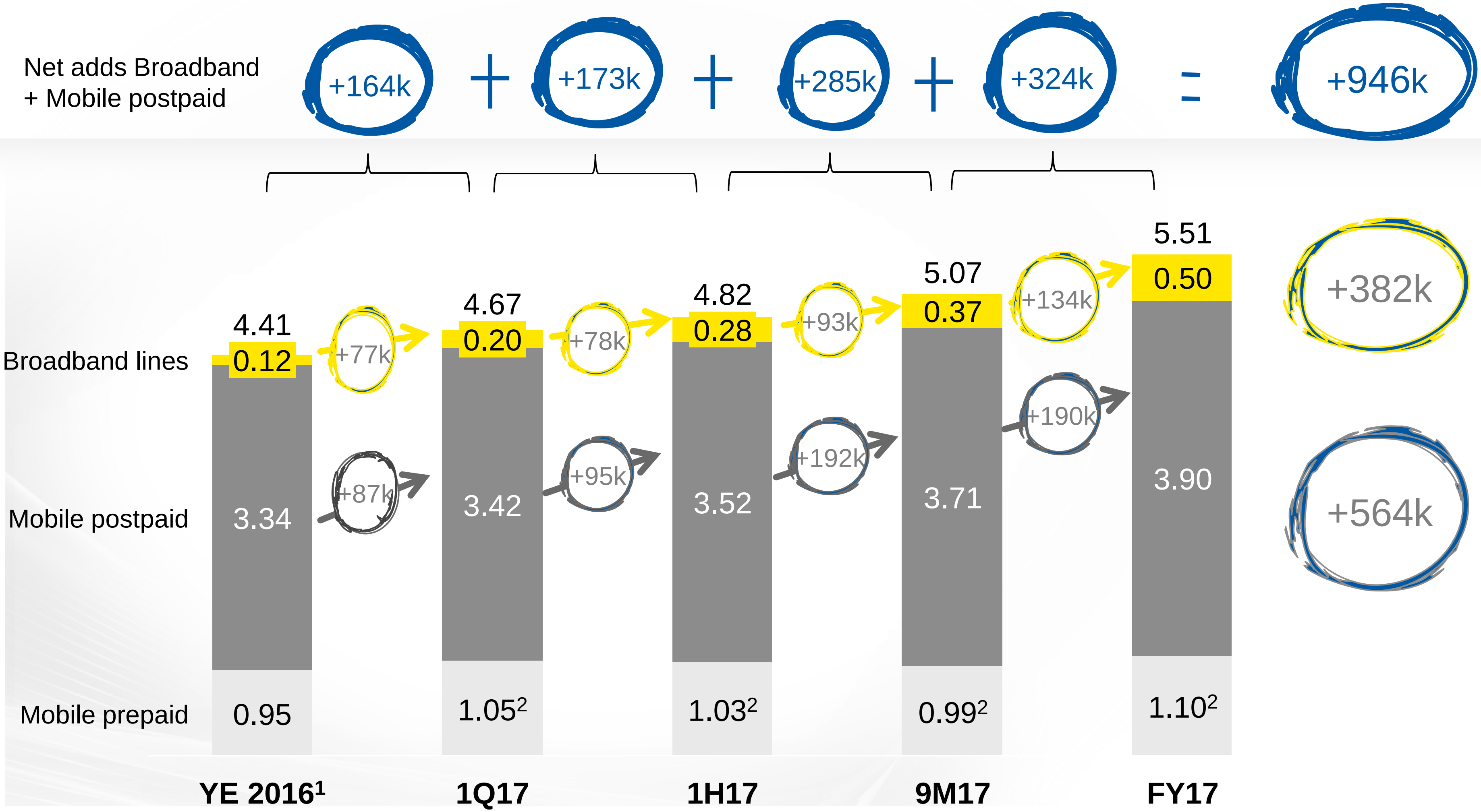


1 Proforma

SOURCE: Company

Evolution of mobile postpaid + broadband lines

MASMOVIL grew by 1.1 lines and exceeded 5.5M lines. Broadband & postpaid lines up by 946k in FY17



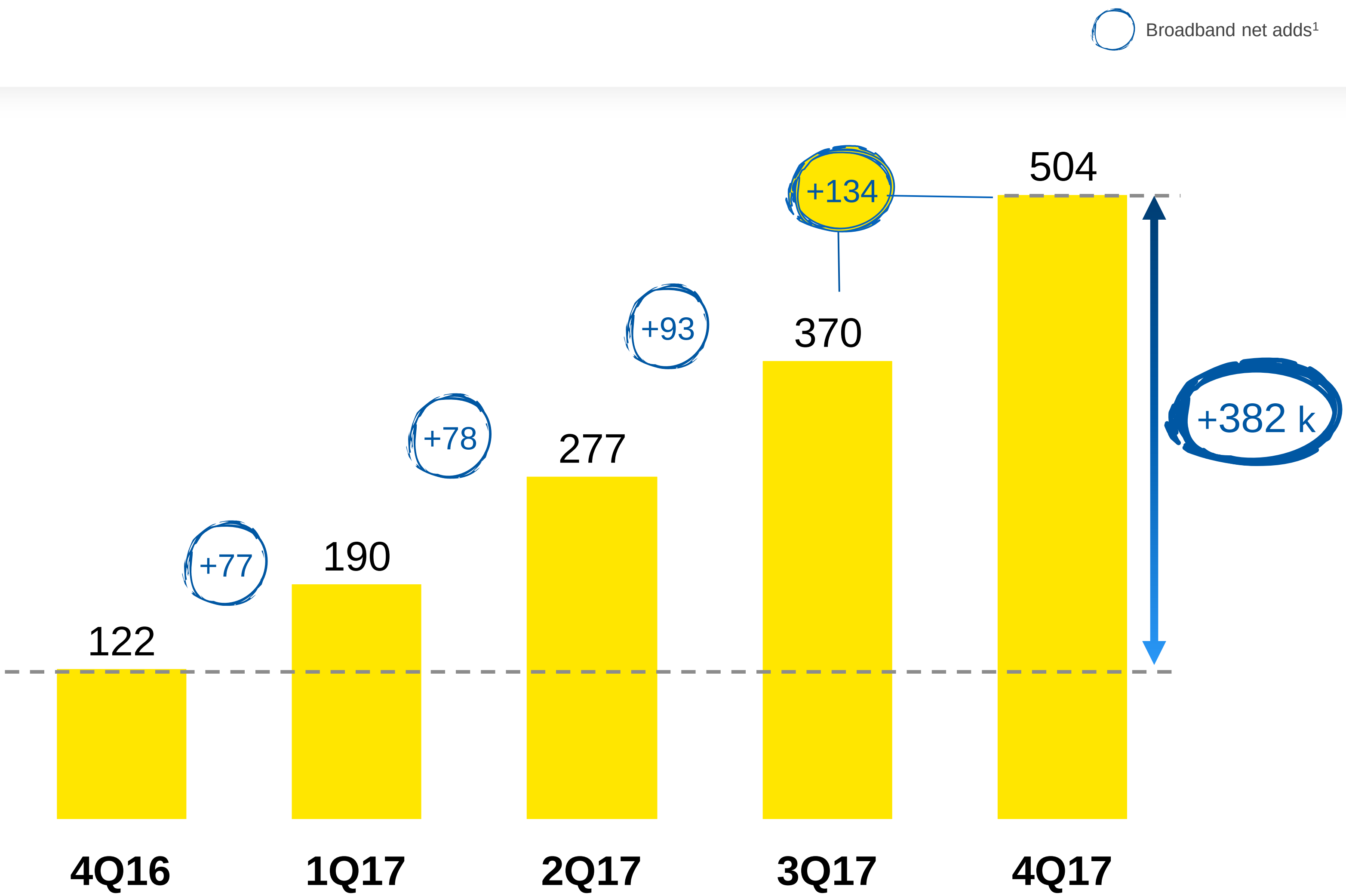
1 Proforma
2 Includes Llamaya (ethnic MVNO)

SOURCE: Company, CNMC

Growth in broadband lines YE2017

MASMOVIL added 134k net broadband lines in 4Q17 to reach a total of 504k broadband lines

Quarterly evolution 4Q16-4Q17; ‘000 lines

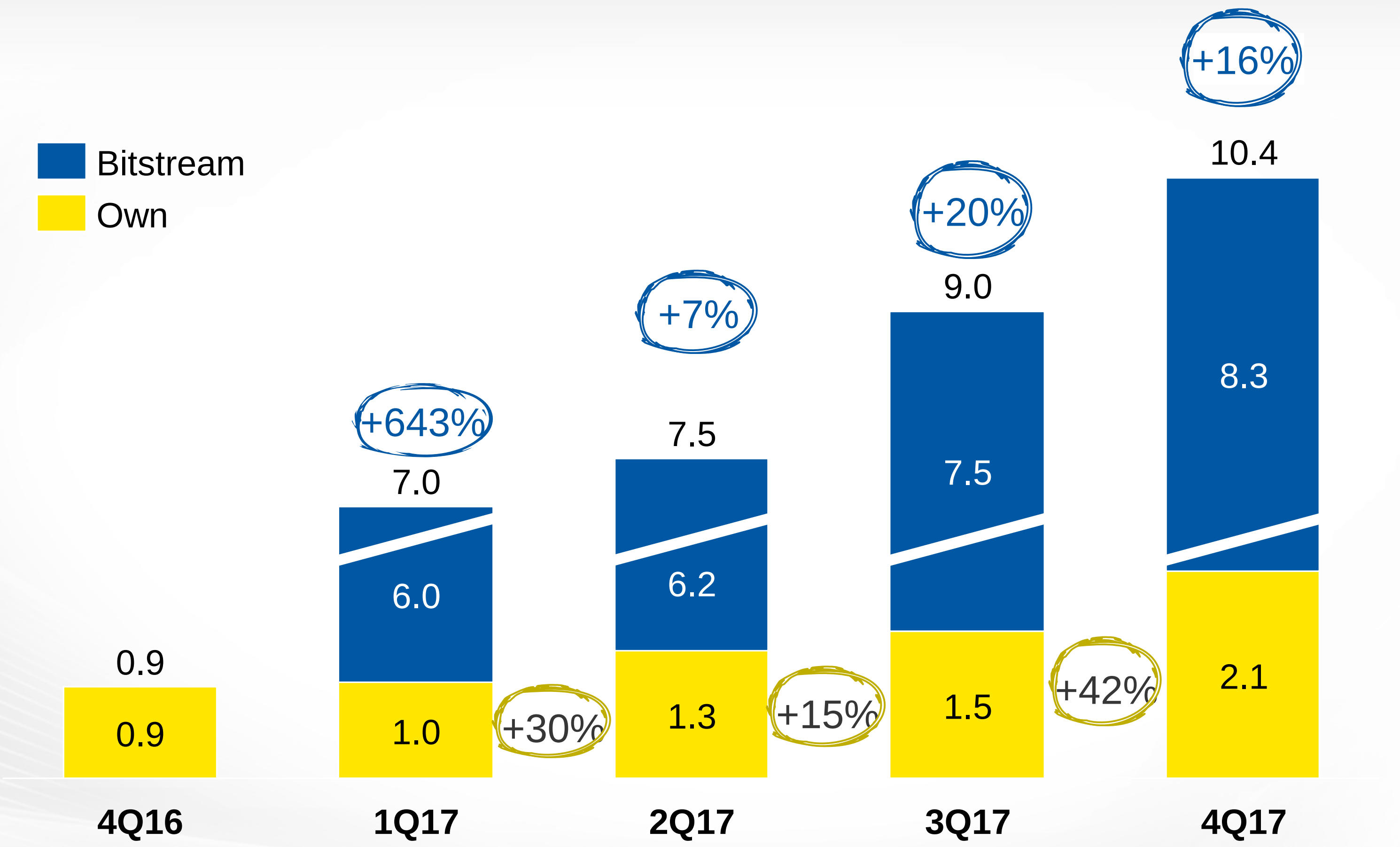


1 Without Wimax

SOURCE: Company, CNMC

Fibre footprint expansion

MASMOVIL FTTH footprint at 10.4M Building Units (BU´s) at YE17;
4Q16-4Q17 Million BU´s

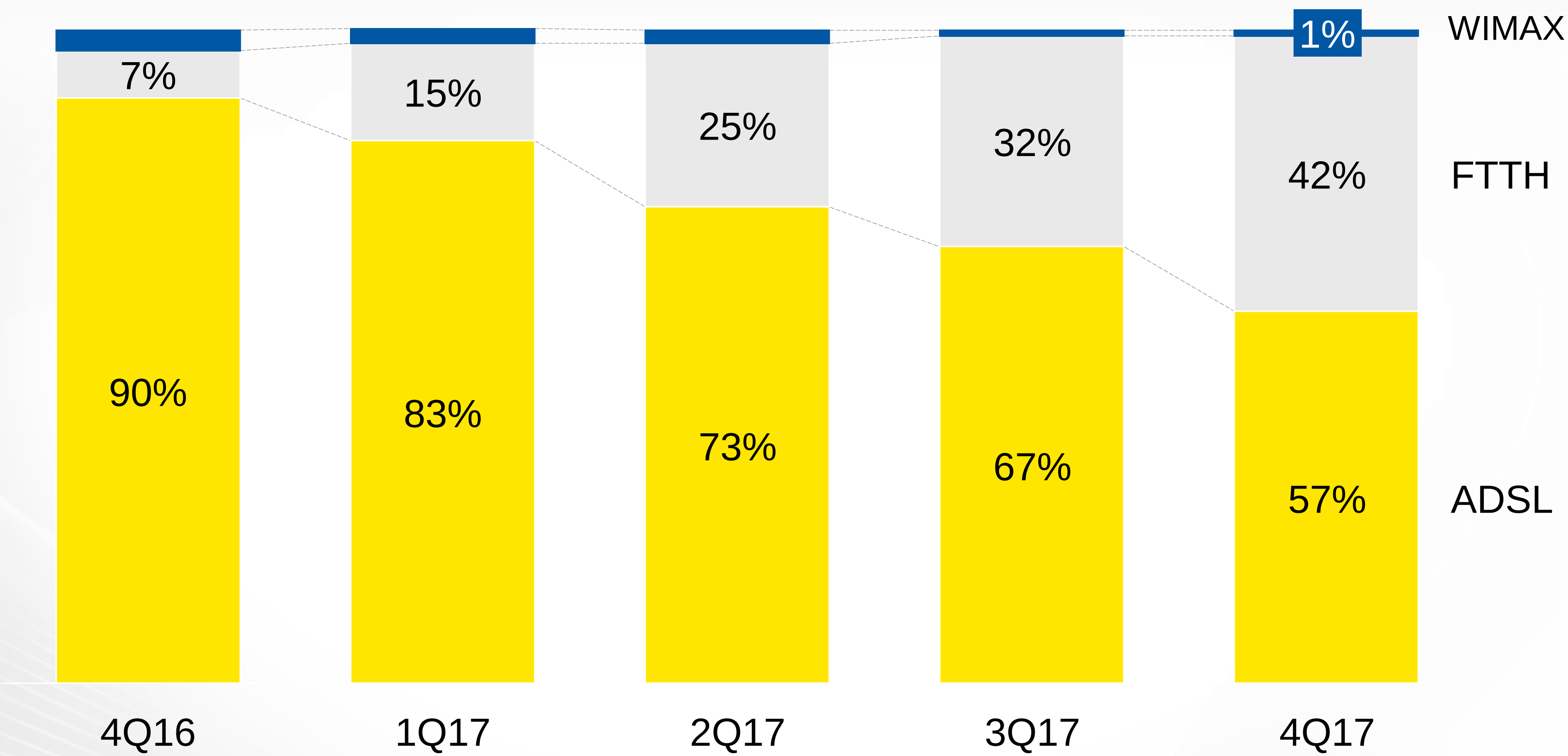


SOURCE: Company

Broadband access split by technology

FTTH share is growing and represents already more than 40% of total broadband base

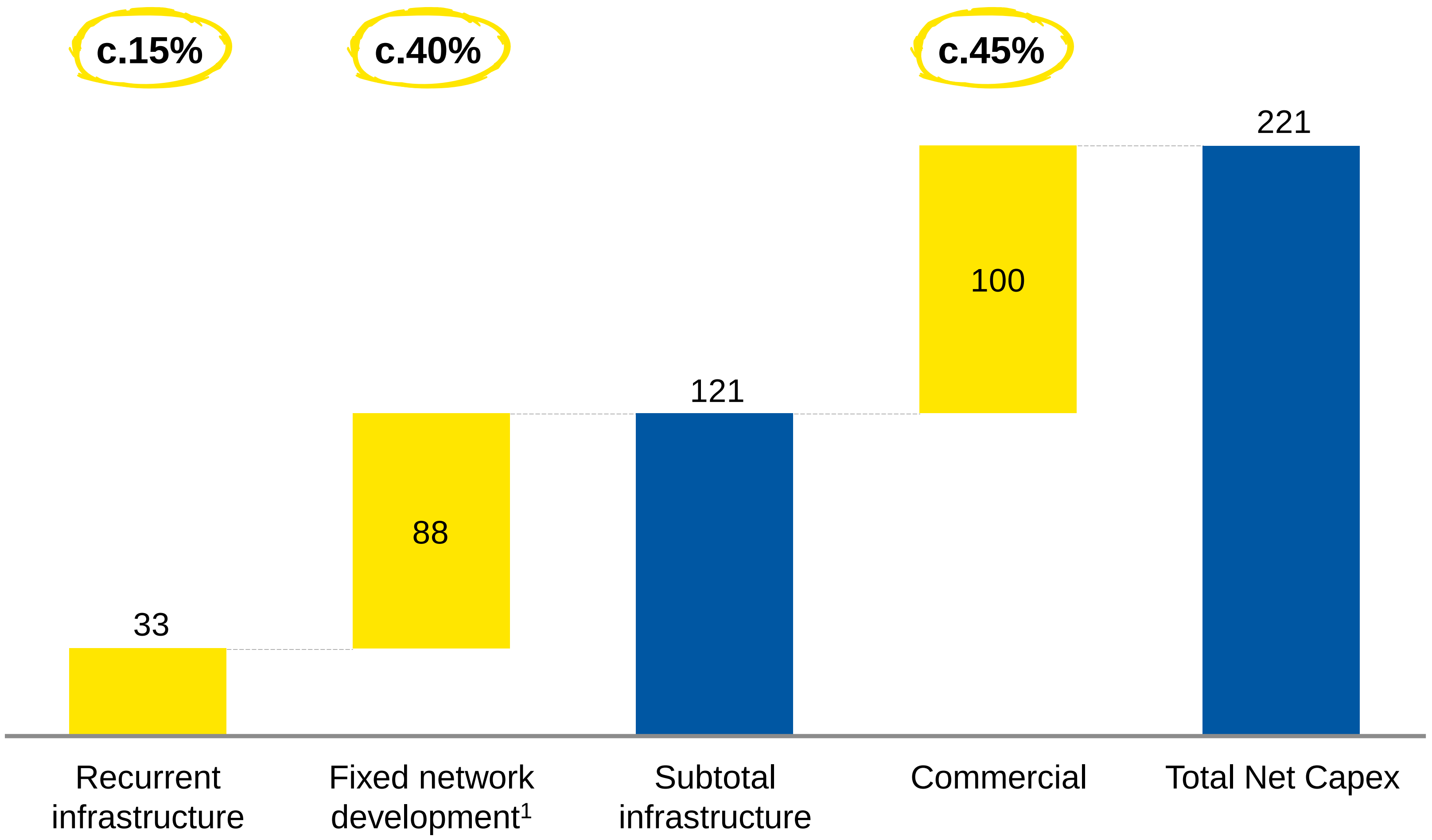
1Q16-4Q17



SOURCE: Company; CNMC

Capex 2017

MASMOVIL invested 221M€: c.40% for fixed network development and c.45% for commercial capex
FY17; €M



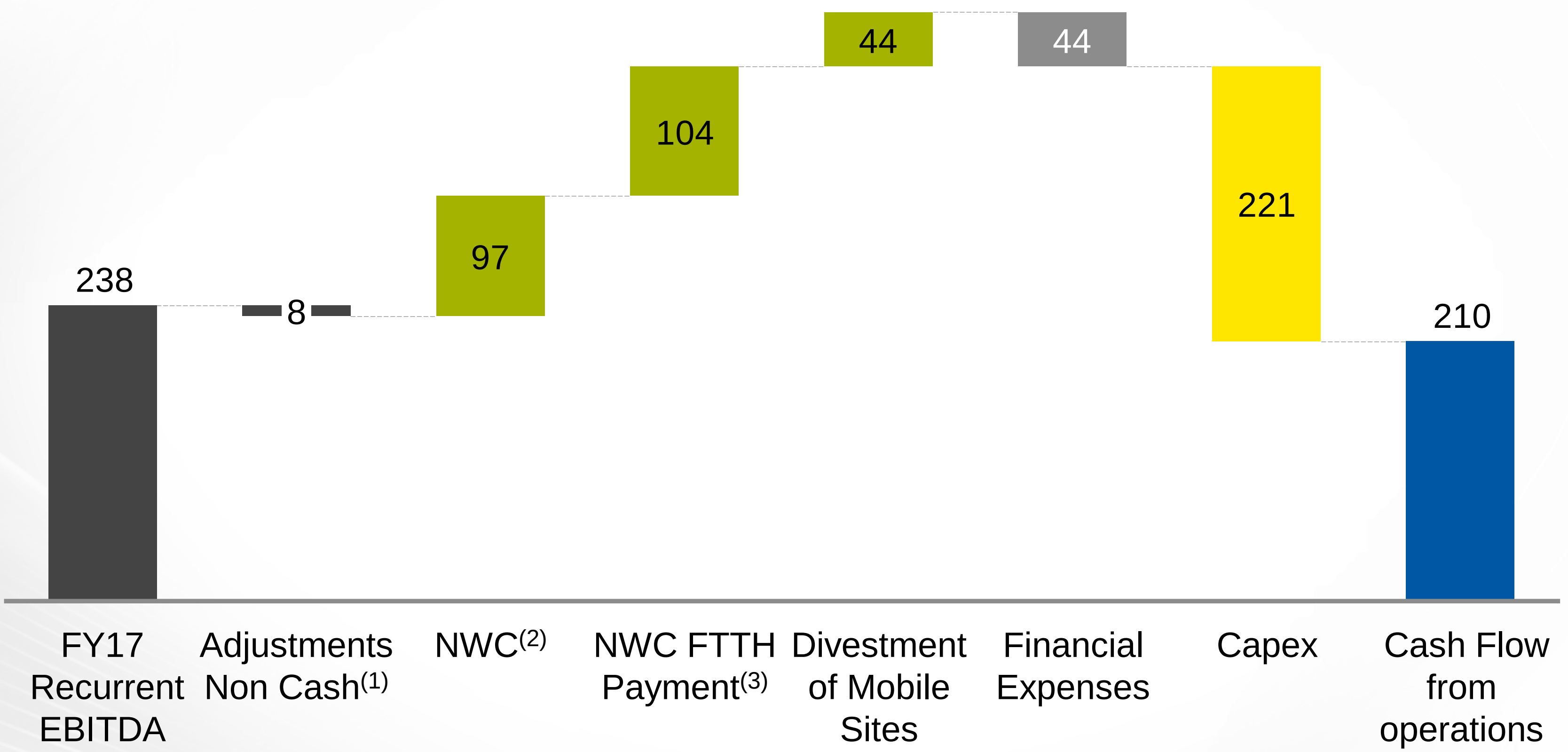
1 Net of the sale of IRU's

SOURCE: Company

Cash Flow from operations

Cash Flow from operations reached 210M€ after capex

FY17; €M



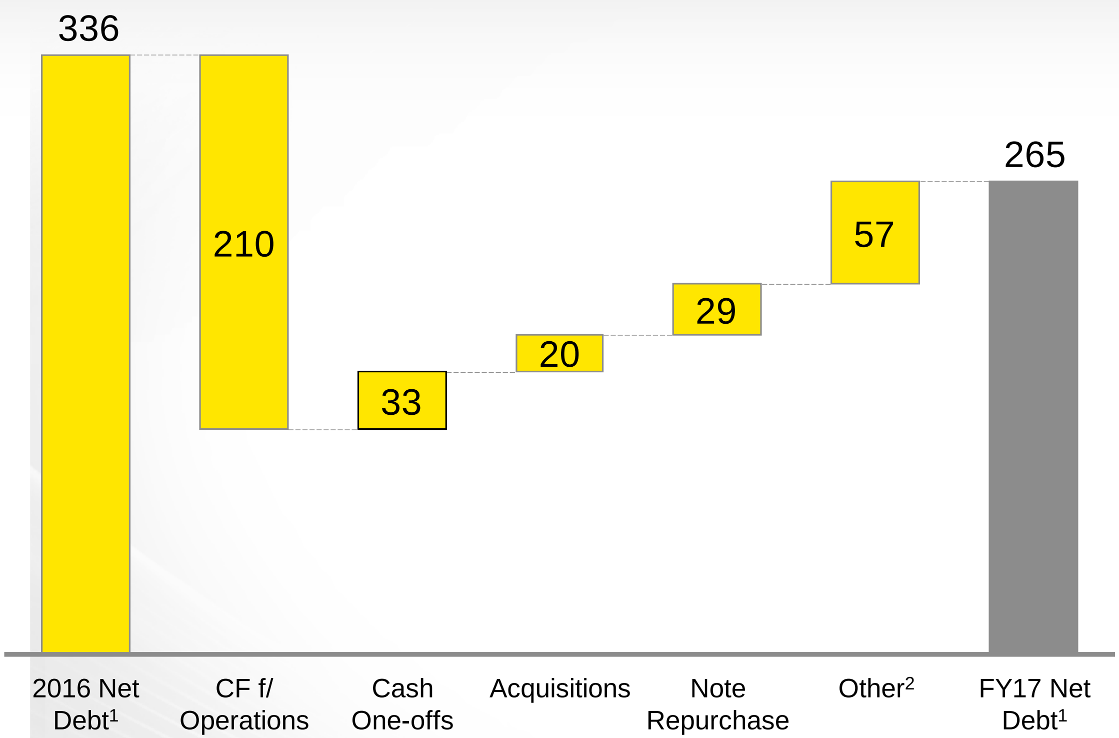
(1) Includes mainly net provisions, taxes
(2) Working capital inflow due to timing effects of payment
(3) FTTH related working capital inflow due to timing effects of payments
SOURCE: Company

Change in Net Debt and Net Debt / EBITDA

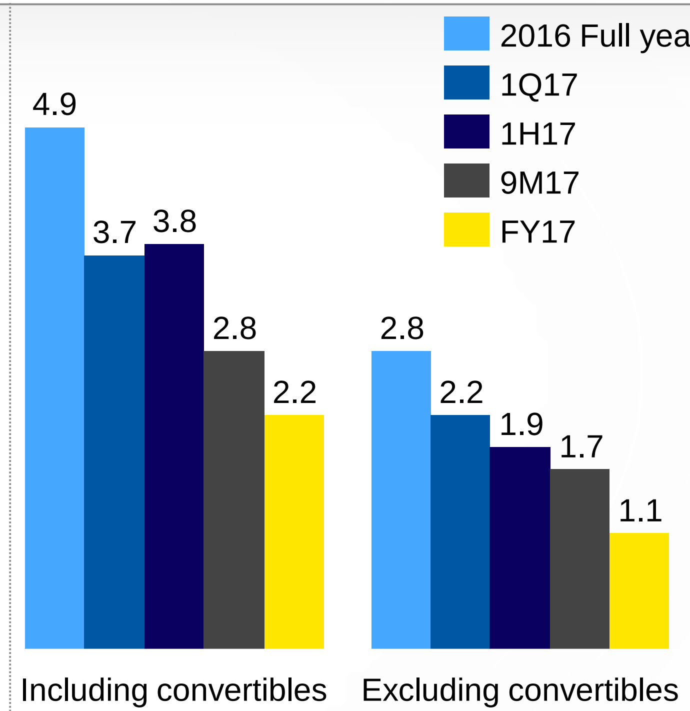
Overall leverage down to 1.1x (excl. convertibles), ample debt capacity for future investments

€M

Change in net debt



Leverage[(3)]
Debt/ Annualized EBITDA



1 Excluding convertibles
2 Includes PIK interest on junior debt, cash interest accrued but yet to be paid and the Pepehone penalty
3 Leverage calculated as Net debt excluding convertibles divided by annualized Recurrent EBITDA (1Q17x4 for 1Q17 or 180M€, 1H17x2 for 1H17 or 208M€, 9M17/3x4 for 9M17 or 224M€ and FY17 Recurrent EBITDA for FY17 or 238M€)

SOURCE: Company

2018 Guidance

After a solid 2017, MASMOVIL expects to sustain its growth profile in 2018, despite the impact of the implementation of IFRS15.

		Pre-IFRS15 Estimate	Post-IFRS15 Guidance
Subscribers	Total combined net increase in fixed broadband lines and mobile post-paid lines by …	> 800k	> 800k
Service Revenues	Growth in Service Revenues vs 2017 Service revenues (1,007M€) of …	>15%	>10%
Recurrent EBITDA	Recurrent EBITDA (before one-off costs) from 238M€ in 2017 to …	330M€	300M€
Net Capex	Net Infrastructure Capex(1)	c.305M€	c.305M€

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

SOURCE: Company

IFRS15 Impact on 2018 Recurrent EBITDA

Implementation of IFRS15 in 2018 is expected to negatively impact Recurrent EBITDA by 30M€ due to the Company's growth profile

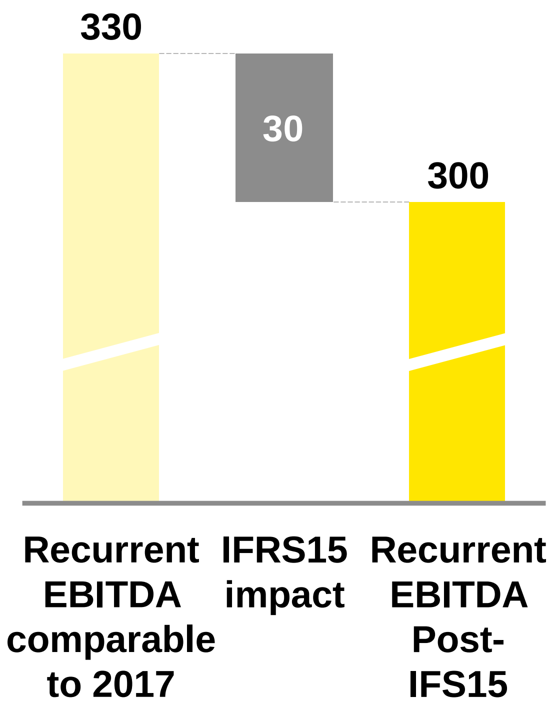
FY18; €M

Revenues:

- €70 million reduction of 2018 net revenues due to the reclassification of subsidies and discounts from cost lines (SAC) to net revenues
- Minimal to neutral impact on Recurrent EBITDA

Recurrent EBITDA:

- €30 million net reduction of 2018E Recurrent EBITDA primarily due to the amortization of convergent commissions above EBITDA vs. below EBITDA pre IFRS15
- The final impact will ultimately depend on the growth achieved by the Company for the full year 2018, the client mix, subsidy and discount levels and the volume of handset sales and could differ from MASMOVIL's initial estimates

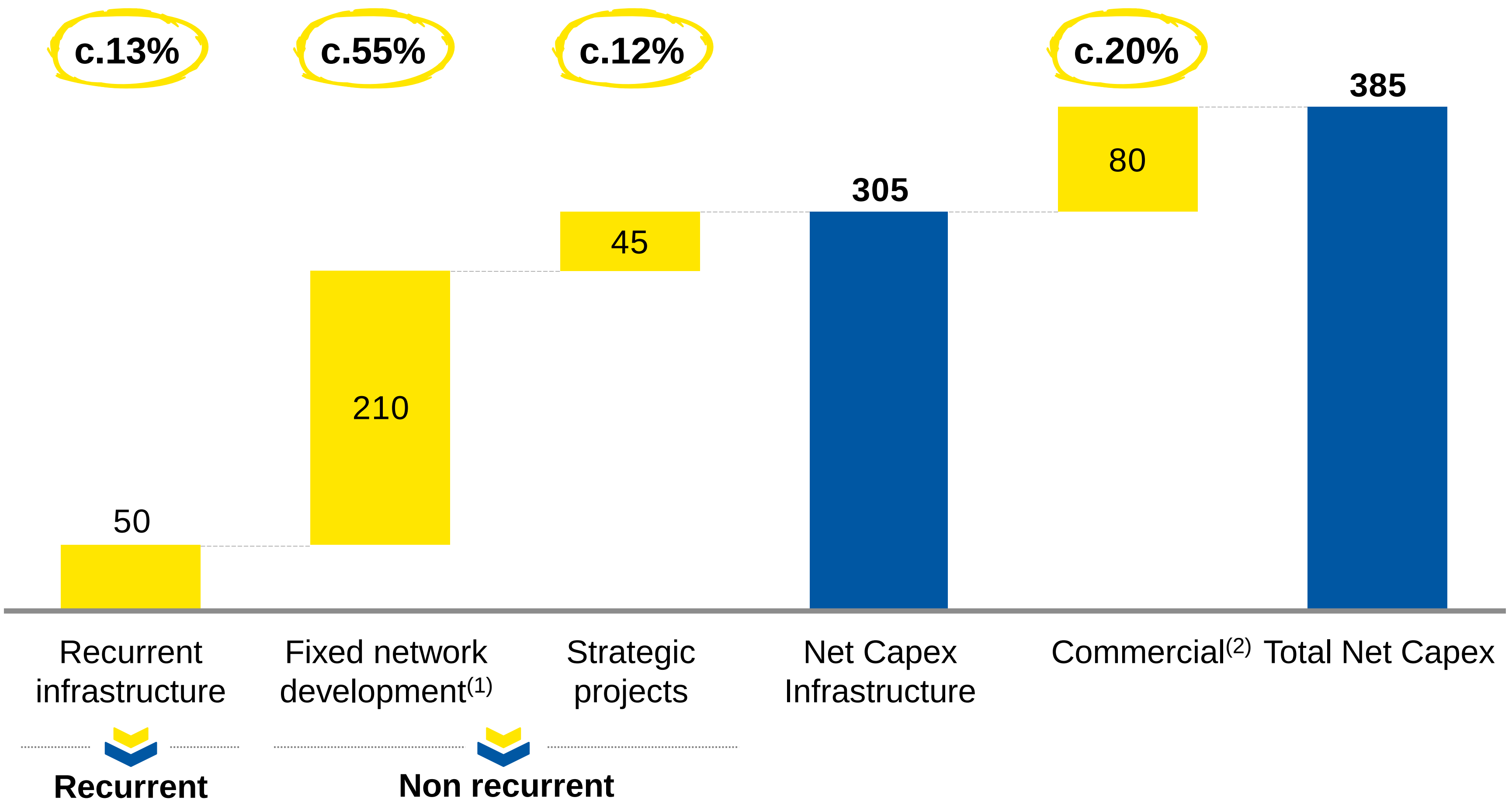


Note: Negative impact on net profit of 11M€ since according IFRS15 convergent commissions have to be charged into the P&L according the expected contractual life (24 months) instead of according the expected customer life (48 months)

SOURCE: Company

Net Capex details for 2018

Just 50M€ (13%) of capex is recurrent infrastructure investment and 75% is growth related
FY18; €M



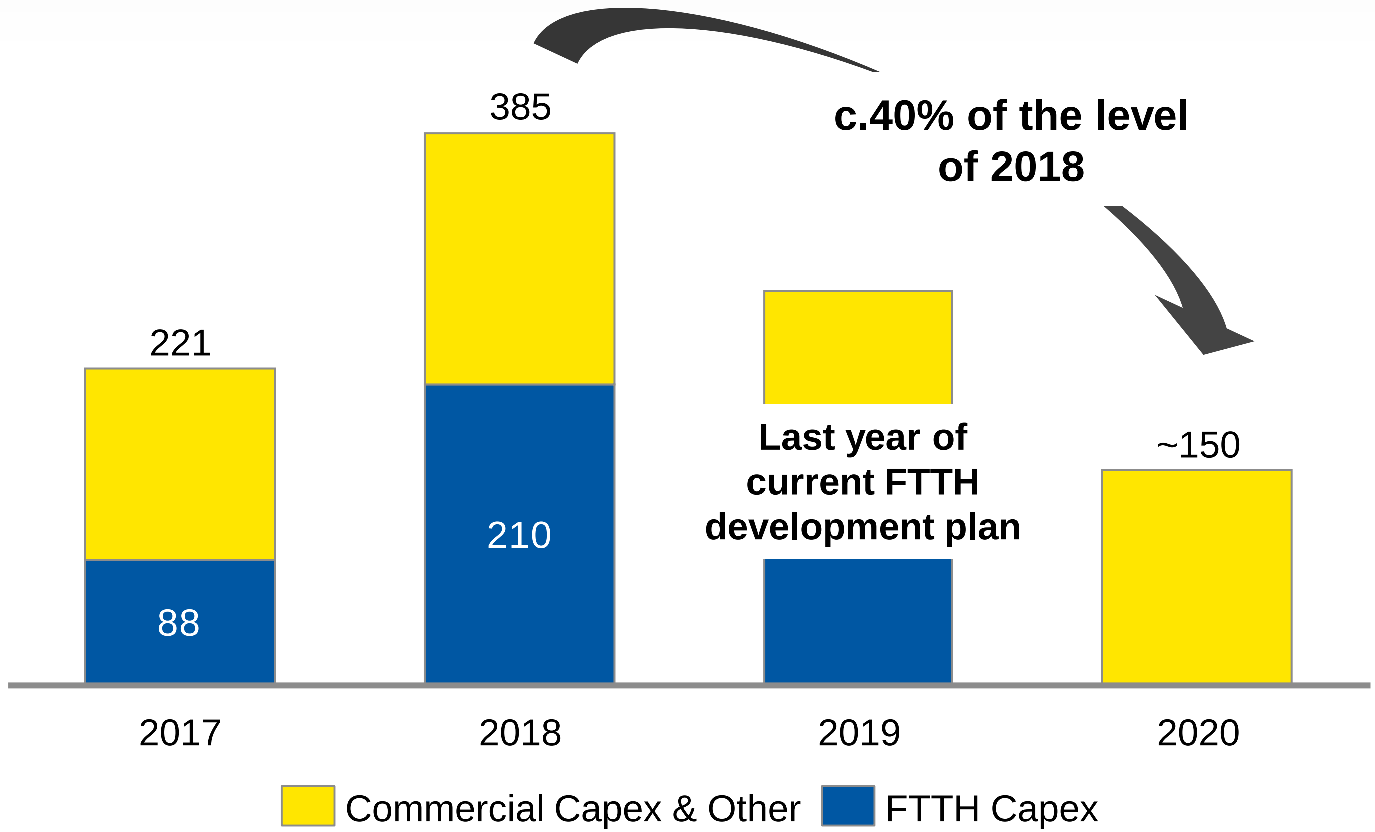
(1) Net of the sale of IRU's
(2) Estimate since commercial capex will depend on Company's growth. Note that around 55M€ of commissions are now not considered as Capex under IFRS15.
SOURCE: Company

Mid term plan: Capex

Net Capex in 2020 is expected to be c.40% of the estimated level for 2018, once the current FTTH plan with 6.5M own BU's is completed

2017-2020; M€

Net Capex



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

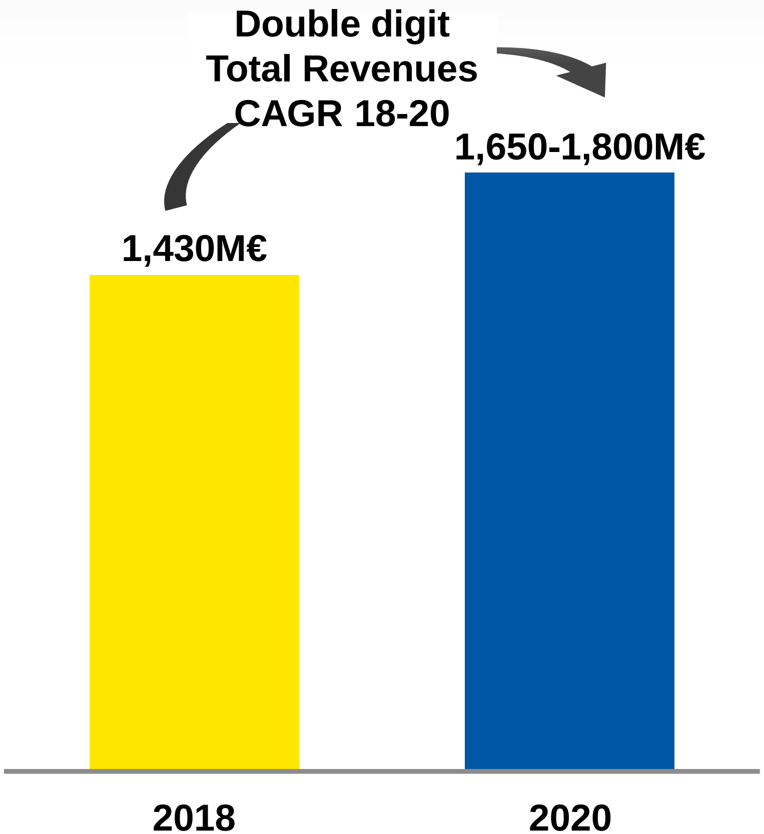
SOURCE: Company

Mid term plan: Revenues & EBITDA

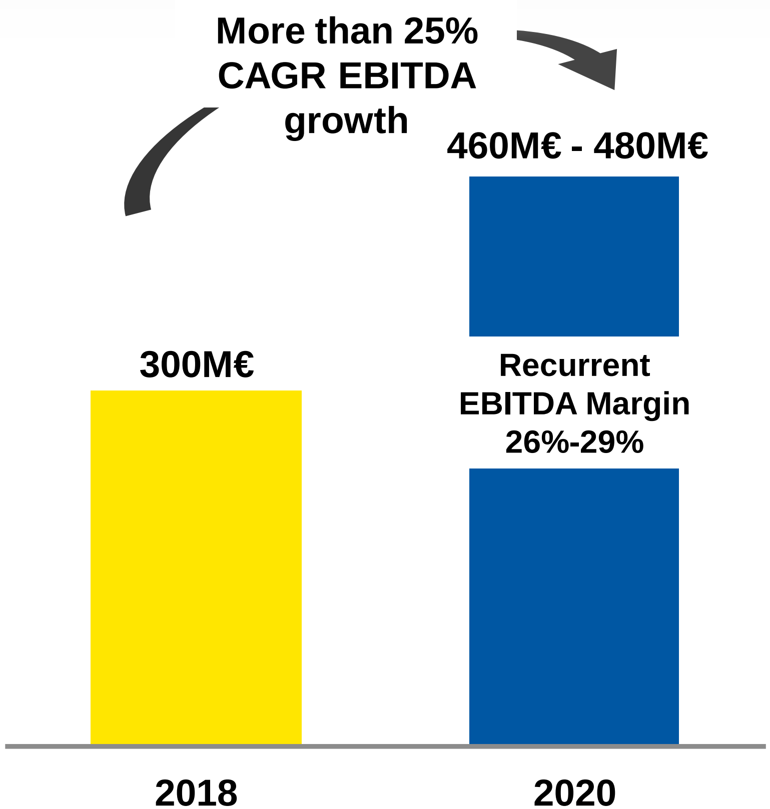
Total Revenues are expected to grow at double digit CAGR 18-20, with Recurrent EBITDA margin above 25%

2018-2020; M€

Total revenues



Recurrent EBITDA



SOURCE: Company

APPENDIX

Net Debt Calculation

Leverage down to 1.1x Recurrent EBITDA (excluding convertibles)

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

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

SOURCE: Company Information

P&L

MASMOVIL achieved an EBITDA of 238M€ and an adjusted Net Income of 97M€ in FY17

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

1. Proforma
2. See page 23 for details on adjustments
3. In Q3, 142M€ of the accounting value of the ACS hybrid was accounted in financial expense.

Source: Company information

Accounting treatment of ACS convertible

Accounting P&L non-cash effect of the ACS hybrid valuation reverted to shareholders equity in 3Q17 through the Balance Sheet (not through P&L)

- The FY17 income statement includes a non-cash charge of 142M€ linked to the ACS convertible.
- This convertible was considered until July 13th, 2017 to be a hybrid instrument under IFRS rules and accordingly any increase in the market value of the shares underlying the convertible are charged to earnings. This accounting treatment under IFRS rules was different to that applied for the Providence convertible, which is not considered to be a hybrid instrument.
- On July 13th, 2017 the Company re-negotiated the terms of the ACS convertible so that the accounting treatment under IFRS is to be consistent between both convertible instruments.
- As a result, post July 13th, 2017, there are no further non-cash financial charges foreseen.
- Additionally, also as a result of the re-negotiation, the Company has reclassified in 3Q17 as shareholders equity, thereby increasing book equity and reducing financial debt, a total of 150M€ of such non-cash financial charges.

SOURCE: Company Information

Adjusted Earnings per Share (fully diluted)

Adjusted Earnings per Share on a fully diluted basis (33.4 million shares) reached 2.90€ in FY17

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

SOURCE: Company Information