

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

# MÁSMÓV!L

## PROSPECTUS

### ADMISSION TO LISTING OF SHARES

**MÁSMOVIL IBERCOM, S.A.**

**July 13<sup>th</sup>, 2017**

*This prospectus has been approved by and registered with the Comisión Nacional del Mercado de Valores -CNMV (Spanish Stock Exchange Commission) on July 13<sup>th</sup>, 2017.*

*The Registration Document and the Securities Note contained in this Prospectus have been drawn up in accordance with the forms specified in Annexes I and III, respectively, of the Commission Regulation (EC) No. 809/2004 of 29 April 2004, implementing Directive 2003/71/EC of the European Parliament and of the Council about information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.*

## **I N D E X**

<b>0.</b>	<b>GLOSSARY .....</b>	<b>13</b>
<b>I.</b>	<b>SUMMARY .....</b>	<b>19</b>
<b>II.</b>	<b>RISK FACTORS .....</b>	<b>45</b>
<b>1.</b>	<b>SPECIFIC RISK FACTORS OF THE ISSUER OR ITS SECTOR OF ACTIVITY .....</b>	<b>45</b>
	1.1. Issuer-specific risks.....	45
	1.2. Legal and regulatory risks .....	55
	1.3. Risks derived from the sector of activity .....	57
	1.4. Macroeconomic risks .....	59
<b>2.</b>	<b>RISK FACTORS FOR THE SECURITIES OFFERED AND/OR ADMITTED TO LISTING .....</b>	<b>60</b>
	2.1. Share price .....	60
	2.2. Share liquidity .....	60
	2.3. Sale of Company shares after admission to listing .....	60
	2.4. Dividends distribution .....	60
	2.5. Dilution risk .....	61
	2.6. Agreements between shareholders.....	63
	2.7. Currencies other than the Euro .....	64
	2.8. Shareholders of jurisdictions outside the EU may potentially be unable to exercise their acquisition or preemptive acquisition rights to acquire new shares 64	
<b>III.</b>	<b>SECURITIES NOTE.....</b>	<b>65</b>
<b>1.</b>	<b>PERSONS RESPONSIBLE.....</b>	<b>65</b>
	1.1. Identification of the people responsible for the Securities Note .....	65
	1.2. Declaration of the people responsible for the Securities Note .....	65
<b>2.</b>	<b>RISK FACTORS .....</b>	<b>66</b>
<b>3.</b>	<b>KEY INFORMATION.....</b>	<b>67</b>
	3.1. Working capital declaration .....	67

3.2.	Capitalization and indebtedness.....	67
3.3.	Interests of the natural persons and companies participating in the issuance/bid.....	68
3.4.	Reasons for the bid and destination of revenues.....	68
<b>4.</b>	<b>INFORMATION RELATED TO THE SECURITIES THAT ARE GOING TO BE BIDED/ADMITTED TO LISTING.....</b>	<b>70</b>
4.1.	Description of the type and class of the securities bided and/or admitted to listing, with the ISIN Code (International Securities Identification Number for the security) or another security identification code .....	70
4.2.	Legislation according to which the securities were created .....	70
4.3.	Indicate if the securities are in registered or bearer form and if the securities are in title or book entry form. In this last case, name and address of the entity responsible for safekeeping the documents.....	70
4.4.	Currency of the issuance of securities.....	70
4.5.	Description of the rights linked to the securities, including any limitation in those rights and procedures to exercise them .....	70
4.6.	In the event of new issuances, the declaration of the resolutions, authorizations and approvals via which the securities have been and/or will be created or issued.....	72
4.7.	In case of new issuances, foreseen date for issuing the securities.....	72
4.8.	Description of any restrictions on the transfer of the securities.....	72
4.9.	Notification of the existence of any mandatory acquisition bid and/or removal and mandatory reacquisition regulations regarding the securities.....	72
4.10.	Notification of public acquisition bids by third parties over the Issuer's capital that have taken place during the financial year prior to the current one. The price and conditions of the exchange of these bids and their results must be provided .....	73
4.11.	Information on the tax consequences derived from the acquisition, ownership and, as the case may be, transfer of the shares.....	73
<b>5.</b>	<b>ARTICLES AND CONDITIONS OF ADMISSION TO TRADING.....</b>	<b>83</b>
5.1.	Conditions, offer statistics, foreseen schedule and procedure for admission to trading.....	83
5.2.	Placement and allotment plan .....	84
5.3.	Prices	85

5.4.	Placement and underwriting.....	86
<b>6.</b>	<b>AGREEMENTS FOR ADMISSION TO LISTING AND TRADING .....</b>	<b>88</b>
6.1.	Indication of whether the securities offered are or will be the subject of an application for admission to trading, in view of their distribution on a regulated market or on other equivalent markets, indicating the markets in question. These circumstances must be mentioned, without creating the impression that the admission to trading will necessarily be approved. If known, the earliest dates on which the securities will be admitted for trading must be supplied.....	88
6.2.	All the regulated markets or equivalent markets in which, to the best of the Issuer's knowledge, securities of the same category as the securities that are going to be offered or admitted to trading are already traded ..	88
6.3.	If, simultaneously or almost simultaneously with the creation of the securities for which trading on a regulated market is desired, securities of the same class are privately placed or subscribed, or if securities of other classes are created for public or private placement, provide the details of the nature of these transactions and the number and features of the securities to which they refer .....	88
6.4.	Details of the entities that have a firm commitment to act as intermediaries in secondary trading, providing liquidity by means of supply and demand orders and description of the main terms of their commitment. ....	88
6.5.	Stabilization: In the event that an Issuer or a selling shareholder has granted an over-allotment option or it is foreseen that price stabilization activities with regards to the offering may be carried out .....	89
<b>7.</b>	<b>HOLDERS SELLING SECURITIES .....</b>	<b>90</b>
7.1.	Name and professional address of the person or entity that is offering to sell the securities, the nature of any position or any other important relationship sellers have maintained during the last three years with the Issuer or with any of its predecessors or associated individuals .....	90
7.2.	Number and class of the securities being offered by each of the holders selling them.....	90
7.3.	Lock-up agreements .....	90
<b>8.</b>	<b>COSTS OF THE ISSUANCE/OFFERING .....</b>	<b>91</b>
8.1.	Total net revenue and calculation of total costs of the issuance/offering	91
<b>9.</b>	<b>DILUTION.....</b>	<b>92</b>
9.1.	Amount and percentage of the immediate dilution resulting from the offer	92

- 9.2. In the event of a subscription offer to current holders, the amount and percentage of the immediate dilution if they do not subscribe to the new offer 92

**10. ADDITIONAL INFORMATION .....93**

- 10.1. If the advisors connected with an issuance are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted 93

- 10.2. Indication of other information in the Securities Note that has been audited or checked by auditors and whether auditors have made a report. Copy of this report or, with the permission of the competent authority, a summary thereof..... 93

- 10.3. When a statement or a report is included in the Securities Note and this is attributed to an expert, provide the name of this/these person(s), their professional address, qualifications and vested interest in the issue, as applicable. If the report is presented at the request of the Issuer, a statement to that effect included in the said statement or report, the form and the context in which it is included, with the consent of the person that has authorized the content of that portion of the Securities Note ... 93

- 10.4. In the event that the information comes from a third party, provide confirmation that the information has been reproduced accurately and that, to the best of the Issuer's knowledge and as far as the Issuer has been able to determine from the information published by said third party, none of the information reproduced omits anything that would render it inaccurate or deceitful. In addition, the issuer must identify the source or sources of the information ..... 93

**IV. REGISTRATION DOCUMENT .....94**

**1. PERSONS RESPONSIBLE.....94**

- 1.1. Identification of the people for the Registration document \*\*\* ..... 94

- 1.2. Declaration of the people responsible for the Registration document ... 94

**2. ACCOUNTS AUDITORS .....95**

- 2.1. Names and addresses of the Issuer's auditors for the period covered by historical financial information (along with their membership in a professional body)..... 95

- 2.2. If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if these are important. .... 95

**3. SELECTED FINANCIAL INFORMATION.....96**

- 3.1. Selected historical financial information related to the Issuer, which will be submitted for each financial year during the period covered by the

historical financial information and any other subsequent intermediate financial period, in the same currency as the financial information .....	96
3.2. Comparative data of the selected financial information related to Q1 2017 – Q1 2016 .....	104
<b>4. RISK FACTORS .....</b>	<b>107</b>
<b>5. INFORMATION ABOUT THE ISSUER .....</b>	<b>108</b>
5.1. History and evolution of the Issuer .....	108
5.2. Investments.....	125
<b>6. BUSINESS DESCRIPTION .....</b>	<b>132</b>
6.1. Main activities .....	132
6.2. Main markets .....	146
6.3. When the information provided in accordance with sections 6.1 and 6.2 has been influenced by exceptional factors, this fact must be mentioned	146
6.4. If it is important for the entrepreneurial activity of for the Issuer profitability, provide detailed information about the Issuers' degree of dependency over patents and licenses, industrial or financial contracts or new manufacturing procedures. ....	146
6.5. The base of any declaration performed by the Issuer regarding its competitiveness will be disseminated .....	147
<b>7. ORGANIZATIONAL STRUCTURE .....</b>	<b>155</b>
7.1. If the Issuer is part of a group, a brief description of the group and the Issuer's position in the group.....	155
7.2. List of Issuer's significant branches, including name, country of incorporation and, if different, voting rights proportion .....	155
<b>9. OPERATIONAL AND FINANCIAL ANALYSIS .....</b>	<b>166</b>
9.1. Financial situation .....	166
9.2. Results of exploitation .....	166
<b>10. FINANCIAL RESOURCES .....</b>	<b>187</b>
10.1. Information related to Issuer's financial resources (short and long term)	187
10.2. Explanation on Issuer's sources, amounts and narrative description of cash flows .....	200
10.3. Information on loan conditions and Issuer's financial structure .....	201

10.4.	Information regarding any restriction on capital resources use that directly or indirectly has affected o could affect the Issuer's operations in an important manner .....	202
10.5.	Information related to sources foresee in the necessary funds to fulfill commitments mentioned under 5.2.3 and 8.1 .....	202
<b>11.</b>	<b>RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES.....</b>	<b>203</b>
11.1	Research and Development.....	203
11.2	Trademarks and domain names.....	203
11.3	Registries and patents .....	204
<b>12.</b>	<b>INFORMATION ON TRENDS .....</b>	<b>205</b>
12.1	Recent most significant trends in production, sales and inventory, as well as costs and sales prices from the end of the last financial year until the date appearing on the registry document .....	205
12.2	Information on any known tendency, uncertainty, requests, commitments or events which may reasonably be considered to have significant impact on the Issuer's prospects, at least for the current financial year	205
<b>13.</b>	<b>PREDICTED OR ESTIMATED BENEFITS .....</b>	<b>206</b>
13.1	Declaration enumerating the main bases upon which the Issuer has based its predictions or estimates .....	206
13.2	This must include a report drawn up by accountants or independent auditors, declaring that, in the view of these independent accountants or auditors, the predicted or estimated amount has been correctly calculated, according to the base amount, and that the accounting principle used to predict or to estimate the profits is in keeping with the Issuer's accounting policies.....	206
<b>13.3</b>	<b>The predicted or estimated profit amounts must be drawn up according to a base figure which is comparable with historical financial information.....</b>	<b>206</b>
<b>13.4</b>	<b>Should the Issuer have published, in its Prospectus, a predicted profit figure for a date which has not yet elapsed, it must then draw up a declaration as to whether this prognosis does indeed remain as accurate as it was at the date appearing on the registry document, or must provide an explanation as to why the prognosis is no longer valid, should this be the case.....</b>	<b>206</b>
<b>14.</b>	<b>ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES, AND SENIOR MANAGEMENT .....</b>	<b>207</b>
14.1	Name, work address and functions, within the Issuing Entity, of the following persons, with mention of the main activities undertaken	

	by the same outside the Issuer's main remit, if said activities should be significant in view of this Issuer.....	207
14.2	Conflicts of interest within the administrative, managerial and supervisory bodies, and other executives positions .....	218
15.	<b>REMUNERATION AND BENEFITS</b> .....	220
15.1.	Paid remuneration amount (including contingent or delayed fees) and services in kind granted to these persons by the Issuer and its subsidiaries for any type of service rendered fby any person to the Issuer and its subsidiaries .....	220
15.2.	Total amounts saved or accumulated by the Issuer or its subsidiaries for the provision of pensions, retirement or similar benefits	222
16.	<b>MANAGEMENT PRACTICES</b> .....	223
16.1.	Expiry date of the current office, where applicable, and details of the period during which the person has served in this capacity..	223
16.2.	Information on contracts for members of the administrative, managerial or supervisory bodies held with the Issuer or any of its subsidiaries which provide benefits upon termination of their office, or the relevant clause to the contrary .....	223
16.3.	Information on the Issuer's auditing committee and the remunerations committee, with details of the names for the committee members and a summary of their internal regulations	224
16.4.	Declaration as to whether the Issuer complies with the regime of corporate government for the country in which it was incorporated. In the event of the Issuer not fulfilling this regime, a declaration should be included to this effect, as well as an explanation of the reason for which the Issuer is not in compliance with this regime.	232
17.	<b>EMPLOYEES</b> .....	236
17.1.	Number of employees at the end of the period or average for each year during the period covered by the historical financial information and breakdown of persons employed by main category of activity and geographical location .....	236
17.2.	Shares and Stock Options.....	237
17.3.	Description of any employee participation agreement in the Issuer's capital	238
18.	<b>MAJOR SHAREHOLDERS</b> .....	241
18.1.	To the extent known to the Issuer, the name of any person who does not belong to the administrative, management or supervisory bodies directly	

	or indirectly having a declarable interest, according to the Issuer's national law, in the capital or the voting rights of the Issuer, as well as the amount of interest of each of these persons or, in the absence of such persons, the corresponding negative statement.....	241
18.2.	If the primary shareholders of the Issuer have different voting rights, or the corresponding negative statement.....	242
18.3.	To the extent that the Issuer is aware of it, declare whether the Issuer is directly or indirectly owned or controlled by whomsoever exercised, and describe the nature of such control and the measures taken to ensure that such control is not abused.....	242
18.4.	Description of any agreement known to the Issuer whose application may at a later date lead to a change in the control of the Issuer.....	243
<b>19.</b>	<b>RELATED PARTY TRANSACTIONS .....</b>	<b>244</b>
19.1.	Transactions with significant shareholders .....	244
19.2.	Operations carried out by the members of the Board of Directors, who in turn are the senior management of MÁSMOVIL.....	245
19.3.	Transactions carried out between individuals, companies or group entities	245
<b>20.</b>	<b>FINANCIAL INFORMATION RELATING TO THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND LOSSES AND BENEFITS.....</b>	<b>246</b>
20.1.	Historical financial information.....	246
20.2.	Pro forma financial information.....	259
20.3.	Financial statements .....	259
20.4.	Audit of annual historical financial information.....	259
20.5.	Age of most recent financial information.....	260
20.6.	Interim information and other financial information .....	260
20.7.	Dividend Policy .....	266
20.8.	Judicial and arbitration proceedings .....	267
20.9	Significant changes in the financial or commercial position of the Issuer	269
<b>21.</b>	<b>ADDITIONAL INFORMATION .....</b>	<b>270</b>
21.1.	Share capital.....	270
21.2.	By-laws and articles of incorporation.....	274

<b>22.</b>	<b>RELEVANT CONTRACTS .....</b>	<b>287</b>
	22.1. Include a summary of each major contract, concluded during the two (2) years immediately preceding the publication of the registration document	287
	22.2. Contracts between the shareholders of the Company .....	295
<b>23.</b>	<b>THIRD PARTY INFORMATION, EXPERT STATEMENTS AND INTEREST DECLARATIONS.....</b>	<b>296</b>
	23.1. When a statement or report attributed to a person as an expert is included in the registration document, provide the name of the person, his professional address, his qualifications and, if applicable, any important interest he has in the Issuer. If the report is submitted at the request of the Issuer, a statement that this statement or report is included, the form and the context in which it is included, and with the consent of the person who authorized the contents of that part of the registration document.....	296
	23.2. In cases where the information comes from a third party, provide confirmation that the information has been accurately reproduced and that, to the extent that the Issuer has knowledge thereof and can determine from the information published by that third party, no fact has been omitted that would make the information reproduced inaccurate or misleading. In addition, the Issuer must identify the source (s) of the information .....	296
<b>24.</b>	<b>DOCUMENTS FOR CONSULTATION .....</b>	<b>297</b>
<b>25.</b>	<b>INFORMATION ON PARTICIPATIONS.....</b>	<b>298</b>

## **IMPORTANT WARNINGS**

MASMOVIL IBERCOM, S.A. (the “**Company**”) considers that the following information regarding the topics hereafter deserves special attention:

### **1. High debt level**

During fiscal year 2016, the Group acquired all quota shares (*participaciones sociales*) and shares (*acciones*) of the companies associated with the brands Pepephone and Yoigo. Said corporate transactions have required a considerable amount of resources (combined cost of 753 million Euros), representing an important cash outflow financed by the execution of capital stock increases and a relevant increase in net financial indebtedness.

As a consequence of the foregoing, the Group has a net financial indebtedness level as of March 31, 2017 of 777 million Euros.

As of March 31, 2017, the ratio of net financial indebtedness with respect to annualised EBITDA on March 31, 2017 amounted to 4.8x, 3.6x with respect to Net Worth and 0.4x with respect to Total Assets. For the purposes of the previous paragraph, annualized EBITDA has been calculated by multiplying by 4 times the EBITDA obtained in the first quarter of the 2017 financial year.

An abrupt modification in the Group’s business expectations as a result of a significant deterioration in demand on the market in which the Group operates, as well as a tangible deviation in the attainment of savings of contractual costs as the result of the strategic agreements signed by the Group with third part telecommunication operators, will have a negative impact on the Group’s cash generating capacity, with a subsequent impact on its capacity to address its investment needs and ultimately, its ability to comply with debt servicing.

### **2. Lack of profits:**

During the years 2015 and 2016 the group had no profits. Thus in the year 2015 it recorded “Business year losses” of 1507 thousand of Euros. In 2016 the same amounted to 58 051 thousand of Euros, in great part justified by the extraordinary results from the acquisition operations of Pepephone and Xfera. At the closing of the first quarter of 2017 the “Period losses” amounted to 41 774 thousand of Euros mostly justified (34 049 thousand of Euros) by results from the reasonable variation of specific instruments issued by the Group without the variation of these instruments representing a cash outflow for the Group.

### **3. Very relevant goodwills and intangible assets:**

As a result of its inorganic growth strategy, the Group, as of March 31, 2017, has a goodwill for an amount of 388 million Euros, constituting 20.8% of total assets on said date. On the other hand, total intangible assets amounted to 778 million Euros, representing 41.7% of total assets on the same date.

A tangible depreciation in the business expectations of the acquired companies would mean a depreciation of the goodwill and other intangible assets recorded in the Group’s consolidated financial statement, with the subsequent negative impact on the profit/loss of the operations presented and net equity. MÀSMOVIL considers that no circumstances are present that would

require the need to set aside any provisions for the impairment of goodwills or other intangible assets recorded on March 31, 2017.

#### **4. Convertible instruments for relevant amounts with a price that is very inferior to the current pricing:**

The loan contract dated July 12, 2016 was notarized on October 4, 2016 by reason of which MÁSMOVIL reached an agreement with the private capital company Providence Equity Partners L.L.C. (Providence) by which the latter committed an investment in MÁSMOVIL of between 165 million Euros and 200 million Euros through a long-term convertible. Said agreement resulted in the issuance of convertible bonds for a total amount of 165 million Euros, which Providence fully subscribed.

The conversion, at a fixed price of €22 per share, is voluntary for Providence, and can only be triggered three (3) years and three (3) months subsequent to issuance.

In addition, on June 20, 2016, several debt acknowledgement contracts and contracts for MÁSMOVIL's commitment to debt acknowledgement and capitalization with respect to different counterparts were notarised, of which only the one formalized with ACS Telefonía Móvil, S.L. (ACS) is in effect, for a minimum amount of 120 million Euros, which can increase up to 200 million Euros in the event that specific conditions are reached, depending on the capitalization of the debt dependant on the creditors' will.

Likewise, the consideration for accounting purposes of the convertible debt subscribed by ACS as being hybrid implies, according to the OTI that the company must record in its profit and loss account, any variation in the fair value of the implied derivatives that are included in the instrument. As a consequence of the foregoing, an increase in MÁSMOVIL's share price would represent an increase in the value of the derivative instruments, with the subsequent negative effect on the profit and loss account and the net equity of the Group. In particular, once MÁSMOVIL's share price reaches certain values, the abovementioned impact will increase, approximately, to 4.8 million Euros per each Euro of increase in MÁSMOVIL's share price. On the preparation date of these financial statements (July 10, 2017), the share pricing amounts to 56.50 Euros and even though the Directors have performed the fair value calculations of the financial instruments to this date, the negative impact that it might have over the Income Statement Account would be of less than 64 000 thousand of Euros, without any of these changes in value representing any cash outflow.

Regardless of the foregoing, the variation of in MÁSMOVIL's share price will under no circumstance represent and increase or modification of any type with respect to the cash payment contracted with ACS.

The conversion, at established share price of between €25 and €40 depending on the conversion time, is voluntary by ACS and can be triggered from the time of issuance and for the subsequent 6 years.

In the event that the holders of the abovementioned convertible instruments decide to convert the totality of them into shares, the Group would have to perform a capital stock increase issuing a maximum of 13,102,680 shares (according to the calculations that can be made as of this date and that are reflected in this Prospectus), which would represent up to 65.67% of the Group's share capital as of the date of this Prospectus and, as a consequence, current shareholders would see their proportion of share capital diluted by up to 60.36%. Likewise, the eventual conversion of the abovementioned instruments into shares would result in the subsequent decrease in the Group's financial indebtedness and resulting increase in its Net Equity.

## 0. GLOSSARY

Term	Definition
Net assets	Net worth.
AMLT	Acceso Mayorista a la Línea Telefónica – Wholesale Access to the Telephone Line.
ARPU	The Average Revenue Per User obtained by a company over a period of time.
B2B	(Business to business) Business models in which the transactions of goods or the provision of services occur between two companies.
BEREC	Body of European Regulators for Electronic Communications.
BOE	Boletín Oficial del Estado, Official State Gazette.
CAPEX	Investments in fixed assets.
CDI	Conventions to avoid double taxation.
CE	A key indicator for compliance of a product with the EU legislation, which allows the free circulation of products within the European market.
CEO	Chief Executive Officer. Managing director.
CIF	Código de identificación fiscal -Tax identification number.
CMT	Telecommunications Market Commission.
CNAE	Clasificación Nacional de Actividades Económicas – National Classification of Economic Activities of Spain allows the classification and grouping of production units according to the activity.
CNMC	Comisión Nacional de los Mercados y la Competencia - National Commission of Markets and Competition.
CNMV	Comisión Nacional del Mercado de Valores – Spanish Stock Exchange Commission.
Covenants	Indicators used by banks to ensure that borrowers will operate in a financially prudent manner that will allow them to repay their debt.
CPE	Customer-Premises Equipment. Telecommunications term used for both, indoors and outdoors to originate, route or end a communication. The equipment may provide a combination of services including data, voice, video and a host of interactive multimedia applications.
Data Center	Data center, or servers where data is stored, processed and distributed to personnel or to procedures which are authorized to consult and/or modify them.
Gross Financial Indebtedness	Current Financial Indebtedness + Non-Current Financial Indebtedness.
Net Financial Indebtedness	Current Financial Indebtedness + Non-Current Financial Indebtedness - Cash and cash equivalents.
DIIM	Documento Informativo de Incorporación al Mercado – Information Document of Market Entry.

DOCSIS	<p>DOCSIS is the acronym for Data Over Cable Service Interface Specification. It is an international telecommunication standard that enables broadband data transfer to an existing cable TV (CATV) system. It is employed by many cable television operators to provide Internet access (see Internet via Cable) via their existing hybrid coaxial (HFC) infrastructure. Version numbers are sometimes prefixed by simply "D" instead of "DOCSIS" (for example, D3 for DOCSIS 3).</p>
Earn-outs	<p>Agreement that allows the seller of a company to receive an additional future compensation for his/her sale - in addition to the agreed price – in case of compliance with certain agreed conditions.</p>
EBITDA	<p>Financial indicator, acronym for Earnings Before Interest, Taxes, Depreciation, and Amortization.</p>
Recurrent EBITDA	<p>Recurrent EBITDA is the EBITDA of a consolidated Group, excluding any extraordinary or exceptional expenses that are non-recurring, as well as the integration and migration costs derived from the acquisition of new businesses. Impairment losses, as well as losses or gains from assets sale, are also excluded.</p>
Euribor	<p>Mortgage reference type published daily and reflecting the interest rate at which the main financial institutions lend money to each other on the interbank market.</p>
FDD	<p>The FDD (Frequency Division Duplex) technique is based on the use of two different frequency bands for transmission, one for sending and one for reception. This technique is used in second generation (GSM) and third generation mobile telephony.</p>
FTTH	<p>FTTH (Fibre To The Home) telecommunication technology delivers the fibre optic communication signal from the operator switching equipment to the customer location. It provides much broader bandwidth than xDSL services (services offered using copper lines), enabling more robust video, internet and voice services. By using fibre optics you can provide symmetric transmission rates – up- and download – up to more than one gigabit per second.</p>
Gateway GHz	<p>Device that acts as a connection interface between devices, and makes it also possible to share resources between two or more computers. Gigahertz.</p>
GSM	<p>Global System for Mobile communications is the most widely used digital mobile phone system and the de facto standard for mobile phones in Europe.</p>
HFC	<p>HFC is the acronym for Hybrid Fibre Coax, in telecommunication, defines a fibre optic telecommunication network that incorporates both, optical fibre and coaxial cable, to create a broadband network to offer video, internet and voice services.</p>
Hosting	<p>Web hosting is the service that provides Internet users with a system to store information, images, video, or any content accessible via the web.</p>

Housing IIIT 2016	Housing is a form of web hosting mainly for large companies and web service companies. Third quarter of 2016.
INE	Instituto Nacional de Estadística – National Institute of Statistics.
IoT	Internet of Things is a concept that refers to the digital interconnection of everyday objects with the Internet.
IP	Impuesto sobre el Patrimonio – Property tax.
IPC	Indice de Precios al Consumo – Consumer price index.
IRnR	Impuesto sobre la Renta de no Residentes – Non-Resident Income Tax.
PIT	Personal Income Tax.
IRU	Indefeasible Right of Use
IS	Impuesto sobre Sociedades – Corporate tax.
ISD	Impuesto sobre Sucesiones y Donaciones - Inheritance and Donations Tax.
ISIN	ISIN, acronym for International Securities Identification Numbering system. Its purpose is to uniquely identify the transferable security at the international level.
VAT	Value Added Tax.
Legal interception	Telecommunication facilities and telephone networks that allow law enforcement or other legal authority to conduct wiretaps selectively.
LGT	General Telecommunications Law.
PITL	Personal Income Tax Law.
LIS	Corporate Tax Law.
Lock-up agreements	Commitment of not selling shares in a given period.
LTE	LTE stands for Long Term Evolution, in telecommunication, a standard for high-speed wireless data transfer for mobile phones and data terminals.
AIM	Alternative Investment Market.
AIM-GC	Alternative Investment Market, Growing Companies Segment.
MARCo	Wholesale Access Offer to Registers and Channels of Telefónica.
MARF	Alternative Bond Market.
MHz	Megahertz.
Multiprotocol label switching	Standard data transfer mechanism. Preferred technology for carrying high-speed data and digital voice on a single connection.
MVNO	Mobile Virtual Network Operator.
NEBA	Reference Offer for the New Broadband Ethernet Service.
Net Neutrality	Network neutrality is the principle by which Internet service providers and governments regulating the Internet should treat all data traffic that transits through the network equally, without discriminating or charging the user differently depending on the content, Website, platform, application, type of equipment used for access, or communication mode.

	Next-generation access, describes a major upgrade of the available bandwidth, making a change in the speed and the quality of the service.
NGA	
NGN	New Generation Networks.
NIC	IAS – International Accounting Standard.
	International Financial Reporting Standards adapted by the EU.
NIIF-UE	
NRA	National Regulatory Authorities.
	Oferta de Acceso al Bucle de Abonado - Access Offer to the Subscriber Loop.
OBA	
OCU	Organization of Consumers and Users.
RIO	Reference Interconnection Offer.
	Optical Line Terminal. Device on which the optical fibres split towards the users.
OLT	
	Virtual mobile operator. A mobile phone company that does not have a frequency spectrum concession, and therefore lacks its own radio network.
OMV	
	Optical Network Terminal. A device that serves as a network termination point between the company's local loop and the client installation wiring. They are sometimes installed outdoors enabling access to the wiring station and serving as a convenient test point for verifying the integrity of the arrival of the fibre optic signal as well as of the wiring into the subscriber's building.
ONT	
	In this case, it refers to the impact on the financial statements, if the companies would have been acquired on 1st of January of each year, instead of during the year. It is presented for illustrative purposes only.
Pro forma	
SMP	Significant Market Power.
Debt ratio	$(\text{Non Current Liabilities} + \text{Current Liabilities}) / \text{Net worth}.$
	Internet protocol backbone mobile network. To guarantee the quality of the service, it is necessary to concentrate the traffic and minimize the transport of data in very complex and heterogeneous networks. This standardisation is achieved thanks to a backbone that interconnects the aggregation networks, and enables the data exchange between them.
IP backbone mobile network	
	Requirements imposed by the European Commission to authorize the merger of Orange and Jazztel among which is the allocation of fixed broadband assets to another operator.
Remedies	
RF	Regulatory framework for electronic communications.
	Roam like at home. Agreement to surf without extra costs using networks of other operators in Member States of the European Union.
RLAH	
	“Return on Assets”: $\text{Profit before interest and taxes} / \text{Total Assets}.$
ROA	
	Ability to change from one coverage area to another without interruption of service or loss of connectivity. It allows users to continue using their wireless network services when travelling outside the geographical area in which they contracted the service.
Roaming	
ROE	“Return on Equity”: $\text{Net Profit} / \text{Net Worth}.$
Routers	Device that provides connectivity at the network level.

Royalty	The right that the owner of a patent gets paid for use or commercial exploitation.
Universal service	Set of basic electronic communications services which provision is guaranteed to all users who request it, regardless of geographical location, with a specified quality and at an affordable price.
Shares Appreciation Rights Plan	Appreciation Rights of Shares of the Company.
SOHO	Small Office, Home Office. Microenterprise refers to domestic or small business environments with low power facilities and computer equipment.
Swaps	Financial instruments to hedge interest rates.
Switches	Switch is the digital interconnect device which function is to interconnect two or more network segments, similar to network bridges.
TDD	The TDD (Time Division Duplex) technique, or bidirectional time-division transmission, unlike the FDD technique, uses a single frequency band for sending and receiving information, sharing transmission periods. This causes the transmission delays to limit the size of the cells. It is a very efficient technique for asymmetric traffic, since it adapts to the traffic profile, the reason why it is considered more suitable for Internet profiles with massive downloads.
TFEU	Treaty on the Functioning of the European Union.
Time-to-Market	Reaction capacity of organizations to create or to maintain competitive advantages in the face of challenges presented by the market and its competitors.
TRLIRnR	Consolidated Text of the Law of Non-Resident Income Tax.
EU	European Union.
CGU	Cash Generating Unit.
ULL	Local Loop Unbundling is the process that allows multiple telecommunication operators to provide services through the use of the connections that link the telephone exchange to the customer premises. The physical wired connection between the client and the telephone company is called a local loop or subscriber loop.
UMTS	Universal Mobile Telecommunications System (UMTS) is one of the technologies used by third generation mobile phones.
United States Securities Act	Law of the American stock market.
Upselling	Sales technique by which a seller induces the customer to buy more products or services, or more expensive, updates etc, in an attempt to make a sale more profitable.
REU	Real Estate Units.
Value-for-money	Product that offers the consumer more value for less money. It is a type of stance that exploits the non-sophistication of the product, or the fact of not having unnecessary accessories.
VPN	Virtual Private Network. It is a computer network technology that allows secure extension of the local area network (LAN) over a public or uncontrolled network such as the Internet

Voicemail	Voicemail.
VoIP	Voice over Internet Protocol. A set of features that enables the voice signal to travel through the Internet using the Internet Protocol (IP).
Wholesale	Wholesale operator.
Write-offs	Deterioration.
xDSL	All Digital Subscriber Lines. Transmission technique that allows the transmission of data at high speed in the traditional telephone network.
4G	4G is the acronym used to refer to the fourth generation of mobile telephony technologies (also called LTE, "Long Term Evolution"). It is the successor to 2G and 3G technologies, and precedes the next generation, the 5G. As in other generations, the International Telecommunication Union (ITU) has set up a committee to define the specifications of this generation, 4G is based entirely on the Internet Protocol (IP) and enables high speed connections: maximum data transmission speed must be between 100 Mbit/s and 1 Gbit/s

## I. SUMMARY

This summary (the “**Summary**”) is comprised of the information that is presented in compliance with information publication requirements (called “**Elements**”) established in Regulation (EC) NO 809/2004 of April 29. These Elements are numbered under Sections A-E (A.1 - E.7).

### *Section A – Introduction and warnings*

Element	Information obligations
<b>A.1</b>	<p><b>Warning:</b></p> <ul style="list-style-type: none"><li>• This summary is to be read as an introduction to the securities note (the “<b>Securities Note</b>”) and the registration document (the “<b>Registration Document</b>”) of MÁSMOVIL (as defined below in section B.1) (the Summary, Securities Note and Registration Document, will be jointly referred to as the “<b>Prospectus</b>”). The Prospectus has been recorded in the Official Registry of the Spanish Stock Exchange Commission (“<b>CNMV</b>”) on the date of July 13<sup>th</sup>, 2017 and can be consulted on the CNMV site (<a href="http://www.cnmv.es">www.cnmv.es</a>) and on MÁSMOVIL’S corporate website (<a href="http://www.grupomásmovil.com">www.grupomásmovil.com</a>).</li><li>• All decisions to invest in securities must be based on the consideration by the investor of the Prospectus as a whole.</li><li>• When a lawsuit is presented before a court regarding the information contained in the Prospectus, the claimant investor may, by reason of National Law in the Member State in question, have to bare the expenses of translating this Prospectus before beginning legal proceedings.</li><li>• Civil responsibility will only be required of the people who have presented the Summary, including any translation therein and only when the Summary is misleading, inaccurate or incoherent regarding the remainder of the Prospectus, or if it does not provide, when read with the other sections of the Prospectus, key information to help investors when deciding to invest or not in said securities.</li></ul>
<b>A.2</b>	<p><b>Issuer consent for the subsequent sale or final placement of the securities by financial intermediaries:</b></p> <p>Not applicable, since the Issuer (as defined below under section B.1) has not provided its consent for the use of the Prospectus for the subsequent sale or the final placement of the securities by financial intermediaries.</p>

Section B – Issuer and possible guarantors

Element	Information obligations
<b>B.1</b>	<p><b>Issuer legal and business name:</b></p> <p>The complete name of the Issuer is “MÁSMOVIL IBERCOM, S.A.” (the “<b>Company</b>”, “<b>MÁSMOVIL</b>”, the “<b>Group</b>”, “<b>Grupo MÁSMOVIL</b>” or the “<b>Issuer</b>”).</p>
<b>B.2</b>	<p><b>Issuer registered address and legal form, legislation according to which it operates and country of incorporation:</b></p> <p>MÁSMOVIL is a Spanish trade company. Although it was incorporated as a limited liability company, its was transformed into a corporation by reason of a deed granted on September 13, 2011 before Mr. Francisco Javier Oñate Cuadros, Notary Public of Donostia-San Sebastián, with procedure number 1660. As a consequence, it is subject to the regulation established by the redrafted text of the Spanish companies act, approved by Royal Legislative Decree 1/2010 of July 2 (the “<b>Spanish companies act</b>”) and other related legislation, as well as regulations specific to its sector.</p> <p>The company’s registered address is located at Parque Empresarial Zuatzu, Edificio Easo, 2ª Planta, 20018 de Donostia-San Sebastián (Guipúzcoa) and is the holder of Tax Identification Code number nº A-20609459.</p>
<b>B.3</b>	<p><b>Description and key factors related to the nature of the Issuer’s operations and its main activities, declaring the main categories of the products sold and/or services rendered, and indication of the main markets in which the Issuer competes:</b></p> <p>Grupo MÁSMOVIL is the fourth largest telecommunications operator in Spain and the only one among the mobile network operators that does not belong to a multinational group. Through its commercial brands Yoigo, MÁSMOVIL, Pepephone and Llamaya, it provides fixed, mobile, broadband and added value telecommunications services to domestic, entrepreneurial and telecom operator customers across the Spanish territory. The main description of the products/services sold and markets targeted is the following:</p> <ul style="list-style-type: none"> <li>• Grupo MÁSMOVIL mainly targets the domestic telecommunications market (99.7% and 98.8% of the sales during the 2016 and 2015 financial years, respectively).</li> <li>• The Group targets domestic companies as well as wholesaler companies and operators offering a wide array of services: voice communication services, mobile services, access and connectivity, data centres, etc.</li> <li>• The Group obtains its income from the following sources: income from services (70%), other income (30%) such as the sales of terminals or income from wholesale operators.</li> </ul> <p>During these past (2) years, the Group has been combining a growth model based on its own organic with a selective policy of acquisitions which has allowed it to complement a competitive services market offer, as well as having the necessary assets and infrastructure to compete with a cost efficient structure.</p> <p>It is necessary to point out agreements for the assignment of the fixed broadband assets of Orange/Jazztel within the framework of the “<i>remedies</i>” imposed by the European Commission to authorize the purchase of Jazztel by Orange. These agreements allowed MÁSMOVIL to acquire a significant fixed broadband network, thus obtaining infrastructure assets similar to those of traditional operators at an appealing cost, with a very significant</p>

	<p>discount on the deployment cost of the network.</p> <p>From this position, in 2016 the Group announced the acquisition of the mobile operators Pepephone and Yoigo, the latter of which is the fourth largest Spanish operator with an invoicing network with mobile infrastructure and its own frequencies on 1800 MHz and 2100 MHz wavelengths.</p> <p>Likewise, in February 2017 the acquisition of the assets of Llamaya was finalized, an OMV focused on the ethnic sector, mainly central American, with a relevant presence in said market in the prepaid sector.</p> <p>In this manner, the current entrepreneurial group is the result of the integration, during the 2014-2016 period, of several telecommunications operators with a strong entrepreneurial spirit and growth sustained in their respective markets, among which it is necessary to point out: MÁSMOVIL (residential market), Ibercom (corporate), Quantum (operators), Xtra Telecom (corporate and operators), The Phone House Movil (residential), Yoigo (residential) and Pepephone (residential).</p>
<b>B.4.a</b>	<p><b>Description of the most significant recent trends affecting the Issuer and the sectors in which it operates:</b></p> <p>The year 2016 was transformational in the history of the Group, as it emerged as the fourth largest telecommunications operator in Spain following the acquisitions of Yoigo and Pepephone and the massive launch of its convergent offering over its own broadband assets (FTTH and ADSL) and those acquired from Grupo Orange.</p> <p>The resulting Group has consolidated sales and EBITDA figures on March 31, 2017 of 296,857 million Euros and 40.393 million Euros respectively. It has a recurring EBITDA of 45,346 million Euros, 15.28% above income (EBITDA less integration costs for an amount of 4,953 million Euros). Likewise, the Group has, as a March 31, 2017, 4.797 million mobile customers and 199,000 fixed broadband customers (4,581 million mobile customers and 122,000 fixed broadband customers in 2016). According to the data provided to the National Commission of Markets and Competition (CNMC) with the criteria of only calculating those prepaying customers with activity in the past three (3) months, as of March 31, 2017 the data would amount to 4.472 million mobile customers and 199,000 fixed broadband customers (4.287 million mobile customers and 122,000 fixed broadband customers as of December 31, 2016).</p> <p>The configuration of the Group resulting from the acquisitions of Yoigo and Pepephone, as well as the massive launching of the Group's convergent offer to residential customers, has been accompanied by a deep transformation in the Group's financial structure, all with the purpose of creating a financial structure adequate to the new strategic size and needs of the Group. In this regard, the corporate transactions developed, as well as the deployment of FTTH infrastructure, have been financed by a balanced combination of capital, instruments convertible into Group shares, indebtedness with credit entities and the issuance of securities on capital markets.</p> <p>In a parallel to the corporate and financial evolution of the Group, operational development has been very positive and has been marked by the Group's increase in terms of mobile and fixed portability and the massive launching of their convergent offer over the own deployments and the FTTH and ADSL assets acquired from Grupo Orange on October 2015. In this way, during the first quarter of 2017, the Group captured a total of 65,000 net mobile portability instances and 25,000 net portability instances in the broadband sector. This data places the Group in first place nationally (Source: CNMC) in net mobile portability instances as well in second place among operators in terms of net portabilities in terms of fixed broadband, second only to Vodafone.</p>

	<p>The acquisition of the business unit of Llamaya took place during the first quarter of the 2017 financial year, adding another 210,000 new customers to the Group.</p>
<b>B.5</b>	<p><b>If the Issuer is part of a group, give a brief description of the group and the Issuer's position therein:</b></p> <p>MÁSMOVIL Ibercom, S.A. is the parent company of a group comprised of independent companies (hereinafter the "<b>Group</b>", or "<b>Grupo MÁSMOVIL</b>"). The parent company has been listed on the Alternative Investment Market of Companies in Expansion since March 30, 2012.</p> <p>The most significant subsidiaries of Grupo MÁSMOVIL refer to MÁSMOVIL Phone and Internet, S.A.U., MÁSMOVIL Holdphone, S.A.U., Xfera Móviles, S.A.U. (Yoigo), Pepe World, S.L., Pepe Mobile, S.L., Pepe Energy, S.L., MÁSMOVIL Telecom 3.0, S.A.U., Embou Nuevas Tecnologías, S.L.U., Xtra Telecom, S.A.U., MÁSMOVIL UK Ltd, MÁSMOVIL Broadband, S.A.U., MÁSMOVIL Infrastructures, S.L.U. and MÁSMOVIL Investments, S.L.U.</p>
<b>B.6</b>	<p><b>Insofar as the Issuer has knowledge therein, the name of any person who, whether directly or indirectly, has a declarable interest, according to the national law of the Issuer, in the capital or the voting rights of the Issuer as well as declare if the Issuer is the direct or indirect property of or is under the control of a third party and which third-party this is, and describe the type of control:</b></p> <p>There is no individual or company that exercises, whether directly or indirectly, control over the Company, notwithstanding what is provided in the following chart, in which the main shareholders of the Company are also included (providing in each case the last shareholder in the control line) and the percentage of shares held:</p>

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Shareholder	Direct shares	Indirect Shares	Capital %
<sup>(1)</sup> Providence Equity Partners Fund VII	0	3.591.565	18,00%
<sup>(2)</sup> Mrs. Carmen Ybarra Careaga	0	3.405.846	17,07%
<sup>(3)</sup> Indumenta Pueri, S.L.	0	2.021.838	10,13%
<sup>(4)</sup> Mr. José Eulalio Poza Sanz	0	1.292.895	6,48%
NS Servicios Especiales de Comunicación, S.L.	1.235.364	0	6,19%
<sup>(5)</sup> Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (CASER)	0	746.154	3,74%
<sup>(6)</sup> Mr. Luis Villar Azurmendi	0	716.740	3,59%
<b>Total</b>	<b>1.235.364</b>	<b>11.775.038</b>	<b>65,21%</b>

(1) Through two controlled companies; PLT VII MAS Sarl (3.271.565 shares) and PLT VII Holdco Sarl (320.000 shares). Providende Equity Partners LLC is the manager of this fund.

(2) Indirect shareholder through Onchena, S.L.U., controlled company under art. 5 LMV

(3) Indirect shareholder through Wilmington Capital, S.L., controlled company under art. 5 LMV

(4) Indirect shareholder through Key Wolf, S.L.U., controlled company under art. 5 LMV

(5) Indirect shareholder through Aldebarán Riesgo S.C.R. de Régimen., controlled company under art. 5 LMV

(6) Indirect shareholder through Norsis Creaciones, S.L.U., controlled company under art. 5 LMV

There are no control-wielding shareholders of MÁSMOVIL Providence Equity Partners Fund VII, Indumenta Pueri, NS Servicios Especiales de Comunicación or CASER.

Providence Equity Partners LLC, manager of the fund Providence Equity Partners Fund VII, has delegated a set of discretionary responsibilities for managing fund equity, something normal in the sector, among which is the right to vote, in the way in which the manager considers adequate, in the different Governance Bodies where the fund is represented.

Regarding the Company Board of Directors, there is no individual or company that exercises control over the Company, whether directly or indirectly:

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Director	Direct shares	Indirect Shares	Capital %
Mr. Eduardo Diez-Hochleitner Rodríguez	42.021	0	0,21%
<sup>(1)</sup> Key Wolf, S.L.U.	1.292,895	0	6,48%
<sup>(2)</sup> Mr. Josep María Echarri Torres	50	539.426	2,70%
Mr. Meinrad Spenger	231.061	0	1,16%
Mrs. Cristina Aldámiz-Echevarría González de Durana	0	0	0,00%
Mr. Felipe Fernández Atela	0	0	0,00%
Mr. Borja Fernández Espejel	3.000	0	0,02%
Mr. Ángel Manuel García Altozano	100	0	0,00%
Mr. Antonio García Ortiz	0	0	0,00%
Mr. John C. Hahn	0	0	0,00%
Mr. Robert Sudo	0	0	0,00%
Mrs. Pilar Zulueta de Oya	0	0	0,00%
<b>Total</b>	<b>1.569,127</b>	<b>539.426</b>	<b>10,57%</b>

(1) Indirect shareholder through Key Wolf, S.L.U., controlled company under I art. 5 LMV

(2) Indirect shareholder through Inveready Capital Company, S.L., controlled company under art. 5 LMV

Mr. José Eulalio Poza Sanz exercises control over the company Key Wolf, S.L.; Likewise Mr. Josep María Echarri Torres exercises control over the company Inveready Capital Company, S.L. There are no control-wielding partners among the remainder of shareholder companies present on MÁSMOVIL's Board of Directors.

On June 30<sup>th</sup>, 2017 the Company owns 16,393 treasury shares representing 0.08% of MÁSMOVIL's share capital.

On the other hand, the Company has knowledge of the signing of a single agreement between shareholders, signed on October 26, 2016, by Onchena, S.L.U., Key Wolf, S.L.U., Norsis Creaciones, S.L.U., Inveready Seed Capital, SCR, S.A., Mr. José Manuel Alsedo Solís, Asesoramiento y Planeamiento, S.L. and Inveready Capital Company, S.L., whose purpose is the syndication of their shares in the company, the purpose of which is to vote in the same way during General Company Meetings with respect to the agreements specified in the abovementioned agreement. The agreement will remain valid while the parties are holders of Company shares.

The abovementioned shareholders' agreement was promoted by Inveready Capital Company, S.L., Key Wolf, S.L.U. and Norsis Creaciones, S.L.U., which were already

shareholders of the Company, with the participation in the MÁSMOVIL capital stock increase of July 2016 of the remaining signatories to the agreement.

Through this syndication agreement, the parties intend to establish a common stance regarding decision making, to benefit the company and the protection of their investment. In this regard, the parties have decided that Inveready Capital Company, S.L., due to its profile as a professional investor and greater knowledge regarding the Company and the market, will inform the other parties of which way to vote. Through the above mentioned syndication agreement, the parties intend to establish a common stance in decision making. Nevertheless, Inveready Capital Company, S.L. (or by default Key Wolf, S.L.U.) cannot impose the direction of their votes in the event of disagreement among the remaining members of the agreement. The following would be the operation of the syndication agreement, in a nutshell:

- (i) Initially, the agreement members must vote in the direction communicated by Inveready Capital Company, S.L. If this company is unable to vote or does not indicate the direction of its vote, the remaining parties will vote in the direction communicated by Key Wolf, S.L.U.
- (ii) However, the shareholders that have signed the abovementioned agreement have the right to opposition, and do not have to vote in the direction communicated. In the event of a discrepancy, the parties must hold a meeting and try to reach a common ground. If said consensus is not reached, they will be free to vote however they so decide.

**B.7**

**Historic key financial information prepared in accordance with the selected IFRS-EU regarding the Issuer, which will be submitted for each financial year of the period covered by historic financial information and any other subsequent intermediate financial period, accompanied by the comparative data from the same period of the previous financial year, except when the requirement for the presence of said comparative information on the statement is satisfied by submitting the information of the financial year final financial statement for the financial year:**

Most relevant numbers for the financial years ending on December 31, 2016, 2015 and 2014:

The following are the key numbers that summarize the Company's financial situation and its development during the 2016, 2015 and 2014 financial years. These figures have been obtained from the audited consolidated annual accounts for the 2016 financial year and the consolidated audited financial statements for the 2015 and 2014 financial years.

**Statement:**

The following is a chart with the key numbers on the Issuer's consolidated statement:

Balance Sheet (In thousand euros)	31/12/2016	31/12/2015	31/12/2014	Var. 15-16%	Var. 14-15%
<b>NON CURRENT ASSETS</b>	1.425.488	234.241	84.853	508,56%	176,06%
<b>CURRENT ASSETS</b>	437.337	156.661	41.696	179,16%	275,72%
<b>TOTAL ASSETS</b>	1.862.825	390.902	126.549	376,55%	208,89%
<b>EQUITY</b>	255.605	89.025	65.273	187,12%	36,39%
<b>NON CURRENT LIABILITIES</b>	931.615	135.713	16.645	586,46%	715,34%
<b>CURRENT LIABILITIES</b>	675.605	166.164	44.631	306,59%	272,31%
<b>TOTAL EQUITY AND LIABILITIES</b>	1.862.825	390.902	126.549	376,55%	208,89%

**Profit and loss account:**

The following is a chart with the key numbers in the Issuer's consolidated profit and loss account:

Profit and Loss Account (In thousand euros)	2016	2015	2014	Var. 15-16 %	Var. 14-15 %
Ordinary Income	401.020	130.249	77.005	207,89%	69,14%
<b>OPERATING RESULT</b>	<b>-40.547</b>	<b>485</b>	<b>-175</b>	<b>-8460,21%</b>	<b>-377,14%</b>
FINANCIAL RESULT	-20.498	-2.501	-512	719,59%	388,48%
<b>RESULT BEFORE TAXES</b>	<b>-61.045</b>	<b>-2.016</b>	<b>-687</b>	<b>2928,03%</b>	<b>193,45%</b>
<b>FISCAL YEAR RESULT</b>	<b>-58.051</b>	<b>-1.507</b>	<b>122</b>	<b>3752,09%</b>	<b>-1335,25%</b>
<b>FISCAL YEAR COMPREHENSIVE RESULT</b>	<b>-58.085</b>	<b>-1.513</b>	<b>118</b>	<b>3739,06%</b>	<b>-1382,20%</b>

Most relevant intermediate financial numbers:

The following includes the key numbers that summarize the financial situation of the Company in the intermediate period of three (3) months ending on March 31, 2017. These figures have been subject to a limited audit by KPMG Auditores, S.L.

**Statement:**

The following is a chart with the key numbers in the Issuer's consolidated statement:

Balance Sheet (In thousand euros)	31/03/2017	31/12/2016	Var. 16-17 (3m) %
<b>NON CURRENT ASSETS</b>	<b>1.457.697</b>	<b>1.425.488</b>	<b>-2,21%</b>
<b>CURRENT ASSETS</b>	<b>408.670</b>	<b>437.337</b>	<b>7,01%</b>
<b>TOTAL ASSETS</b>	<b>1.866.367</b>	<b>1.862.825</b>	<b>-0,19%</b>
<b>EQUITY</b>	<b>248.179</b>	<b>255.605</b>	<b>2,99%</b>
<b>NON CURRENT LIABILITIES</b>	<b>973.071</b>	<b>931.615</b>	<b>-4,26%</b>
<b>CURRENT LIABILITIES</b>	<b>645.117</b>	<b>675.605</b>	<b>4,73%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1.866.367</b>	<b>1.862.825</b>	<b>-0,19%</b>

**Profit and loss account:**

The following is a chart with the key numbers of the Issuer's consolidated profit and loss account as of March 31, 2017 and 2016:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Profit and Loss Account (In thousand euros)	2017 (3m)	2016 (3m)	Var. 16-17 %
Ordinary Income	296.857	33.924	775,06%
<b>OPERATING RESULT</b>	<b>11.965</b>	<b>-2.447</b>	<b>-588,97%</b>
FINANCIAL RESULT	-49,449	-217	22687,56%
<b>RESULT BEFORE TAXES</b>	<b>-37,484</b>	<b>-2.664</b>	<b>1307,06%</b>
<b>FISCAL YEAR RESULT</b>	<b>-41,774</b>	<b>-3.624</b>	<b>1052,70%</b>
<b>FISCAL YEAR COMPREHENSIVE RESULT</b>	<b>-41,684</b>	<b>-3.614</b>	<b>1053,40%</b>

<b>B.8</b>	<p><b>Proforma financial information identified as such:</b></p> <p>This Prospectus is based on the financial information contained in the audited consolidated annual accounts for the 2016 financial year and the consolidated audited financial statements for the 2015 and 2014 financial years, as well as the intermediate consolidated financial statements for the period of three (3) months ending on March 31, 2017 and subject to a limited audit by KPMG Auditores, S.L.</p> <p>The audited consolidated annual accounts corresponding to the financial year ending on December 31, 2016 include, since their valid acquisition date, the financial statements of the companies acquired by MÁSMOVIL during the 2016 financial year, among which it is necessary to point out Pepephone and Yoigo. In said annual accounts, the report corresponding to Business Combinations makes reference to the effect on income and profit items that said acquisitions would have had if they had been acquired on January 1, 2016.</p> <p>The 2016 pro-forma accounts refer to the effects that the consolidation of both acquisitions would have had (Pepephone and Yoigo) since January 1, 2016. That data is provided for the sole purpose of offering more information for explanatory purposes.</p>
------------	---

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Profit and Loss Account (In thousand euros)	Pro-forma 16	Aggregate 15	Var. 16-15 %
Ordinary Income	1.120,004	1.070,662	4,61%
Other operating income	18,274	17,803	2,65%
Consumption of goods, raw materials and consumables	-685,373	-660,540	3,76%
Other operating income	-334,008	-325,102	2,74%
<b>Recurring EBITDA</b>	<b>118,897</b>	<b>102,823</b>	<b>15,63%</b>
Extraordinary Expenses	-30,598	0	-
<b>EBITDA</b>	<b>88,299</b>	<b>102,823</b>	<b>-14,13%</b>
Depreciation and amortisation expenses	-106,583	-82,700	28,88%
<b>EBIT</b>	<b>-18,284</b>	<b>20,123</b>	<b>-190,86%</b>
<b>Recurring EBIT</b>	<b>12,314</b>	<b>20,123</b>	<b>-38,81%</b>
Financial Result	-26,173	-11,178	134,15%
<b>RESULT BEFORE TAXES</b>	<b>-44,457</b>	<b>8,945</b>	<b>-597,00%</b>
Income Tax	4,786	-2,805	-270,62%
<b>FISCAL YEAR'S RESULT</b>	<b>-39,671</b>	<b>6,140</b>	<b>-746,11%</b>
<b>B.9</b>	<b>If there a forecast or estimate of profits has been carried out, provide the figure:</b>  Not applicable.		
<b>B.10</b>	<b>Description of the nature of any exception in the audit report regarding historical financial information:</b>  Not applicable.		
<b>B.11</b>	<b>Provide an explanation if working capital is not sufficient for current Issuer requirements:</b>  MÁSMOVIL estimates that the working capital that the Company possesses as of the date of this Prospectus as well of the capital that it expects to generate in the future is sufficient to tend to its current and future requirements.		

*Section C - Securities*

Element	Information Obligations
<b>C.1</b>	<b>Description of the type and class of securities offered and/or admitted to official listing, including, if applicable, the security identification number:</b>  The securities which are the subject of the admission to trading constitute the totality of the MÁSMOVIL ordinary shares, namely, 19,951,100 shares with a face value of 0.10

	<p>Euros each, all of the same class, represented by accounting entries, fully subscribed and paid, that grant their holders full political and economic rights.</p> <p>The National Numbering Securities Agency, dependent on the CNMV, has assigned ISIN code number ES0184696013 to the shares that comprise the share capital of MÁSMOVIL.</p>
<b>C.2</b>	<p><b>Currency of the issuance of securities:</b></p> <p>MÁSMOVIL's shares are denominated in Euros.</p>
<b>C.3</b>	<p><b>Number of issued and fully paid shares and face value per share:</b></p> <p>The nominal total capital of MÁSMOVIL for which admission to listing is being requested amounts to 1,995,110 Euros and is comprised of 19,951,100 shares of a face value of 0.10 Euros each, belonging to a single class and series and that grants the same rights and obligations to its shareholders.</p> <p>Said shares are represented by accounting entries and are recorded in the corresponding registries under the responsibility of Sociedad de gestión de los sistemas de registro, compensación y liquidación de securities, S.A. ("Iberclear").</p> <p>Due to the operation's characteristics, the reference price of the Company's shares on the "Sistema de Interconexión Bursátil Español" (Continuous Market) will be that of shares listed on the Alternative Investment Market (MAB-EE) at the closing of the market the day immediately preceding the beginning of their listing on the Continuous Market.</p>
<b>C.4</b>	<p><b>Description of the rights liked to the securities:</b></p> <p>The shares which are the subject of this admission to trading are ordinary shares, belonging to a single class, due to which they grant their holders the same political and economic rights, listed as a part of the Spanish companies act and Company By-laws. It is necessary to mention the following rights:</p> <p>1. <u>Dividend rights</u>: The Company's shares grant the right to participate in the distribution of corporate profit and the equity resulting from liquidation; moreover, since they are all ordinary, they do not grant the right to receive a minimum dividend. The right to dividends regarding the Company's shares will arise only when the General Shareholders' Meeting or, if applicable, the Board of Directors, agrees upon the distribution of company profits.</p> <p>The prescribed period for the right to collect dividends is five (5) years starting on the date established for the beginning of the collection according to article 947 of the Business Code.</p> <p>2. <u>Voting and attendance rights</u>: The shares grant to the holders the right to attend, whether personally or through representation, the General Shareholders' Meeting and to contest company agreements. All shareholders can attend the General Shareholders' Meeting, regardless of the number of shares owned. Even those with no voting rights are able to attend. To exercise this right, shareholders must have recorded their shares in an accounting entry at least five (5) days before the Shareholders' General Meeting is held.</p> <p>Regarding voting rights, each Company share entitles the holder to one (1) vote, without their existing a limitation on the number of votes that can be cast by each shareholder.</p> <p>3. <u>Pre-emptive rights in offers for the underwriting of securities in the same category</u>: The Company's shares grant their owners pre-emptive rights in the capital stock increases with new shares issuing charged to cash contributions, as well as the issuance of convertible bonds, all without prejudice to the exclusion, whether partial or total, of the</p>

	<p>abovementioned pre-emptive rights in accordance with the provisions of the Spanish Companies Act and Company By-laws. Likewise, the Company's shares grant their owners the free right of assignment recognized in the Spanish Companies Act in the event of a capital stock increase charged to reserves.</p> <p>4. <u>Right to a share of the Issuer's profits</u>: The Company's shares grant the right to a share in the distribution of company profit in a manner proportional to face value, under the terms stipulated in paragraph 3 above.</p> <p>5. <u>Right to a share of any excess in the event of liquidation</u>: The Company's shares grant their owners the right to a share in the distribution of equity resulting from the liquidation of the Company, according to the provisions established in the Spanish Companies Act.</p>
<b>C.5</b>	<p><b>Description of any restriction on the free transfer of securities:</b></p> <p>The Company's shares are not subject to any transfer restrictions.</p>
<b>C.6</b>	<p><b>Indicate if the securities offered are or will be subject to a listing request on the regulated market and indicate all regulated markets in which the securities are or will be listed:</b></p> <p>The Company's shares are planned to be admitted to listing on the Madrid, Barcelona, Bilbao and Valencia Stock Markets and are included in the Spanish Training System (the "Mercado Continuo") as of the date of July 14, 2017.</p>
<b>C.7</b>	<p><b>Description of the dividends policy:</b></p> <p>The distribution of dividends is subject to the compliance with the requirements derived from the Spanish Companies Act and the restrictions imposed over the financing contracts regarding companies belonging to the group.</p> <p>MÁSMOVIL has no intention of distributing an interim dividend for the profit/loss of the 2017 and 2018 financial years to its shareholders. However, distributing dividends in the future is not ruled out as a consequence of the cash generation excesses, once the requirements established by the Spanish Companies Act have been fulfilled and so long as this is possible according to the financing contracts regarding Group companies.</p>

*Section D – Risks*

Element	Information responsibilities
<b>Mr.1</b>	<p><b>Key information regarding the main risks specific to the Issuer or its sector of activity:</b></p> <p><u>Risks specific to the Issuer</u></p> <p><b>Group profit/loss</b> The Group submitted a loss of 58 million Euros on December 31, 2016, and operating losses of 40 million Euros. However, regarding the Group's situation as the December 31, 2016 needs to take the following into account:</p> <ul style="list-style-type: none"> <li>• The annual accounts for the 2016 financial year are the result of the consolidation of each of the companies acquired by the Group as of the date of incorporation. This fact results in figures for the companies incorporated reflecting figures for previous periods in the year.</li> <li>• Due to the significant growth in the Group's perimeter through acquisitions, the figures</li> </ul>

cannot be compared with those of the previous year.

- The Group approximately gauges its consolidated income figures for the 2016 financial year at 401 million Euros (130 million Euros in 2015), with an EBITDA of 657,000 Euros, an amount that would amount to 31 million Euros in recurring terms (11 million Euros in 2015).
- The Group approximately gauges its consolidated proforma amounts, in other words, taking into consideration that the Yoigo and Pepephone acquisitions would have been executed on January 1, 2016, in terms of income and EBITDA at 1.120 billion Euros and 88 million Euros respectively, with a recurring EBITDA of 119 million Euros.

On March 31, 2017, the losses for the quarter amounted to 71.7 million Euros, even though the company also demonstrated operating profits of 11.9 million Euros.

**Risks derived from the recent acquisition of Pepephone and Yoigo and difficulty in comparing the consolidated audited financial information of the Company prior to 2016 with the audited consolidated financial information corresponding to the financial year ending on December 31, 2016:**

The Company has acquired all company shares and shares of the companies associated with the brands Pepephone and Yoigo. Said corporate transactions required a large amount of resources, leading to an important cash outflow, and increase in financial indebtedness, as well as the execution of capital stock increases. Particularly, the acquisition of Pepephone and Yoigo has been financed through a combination of debt and issuing of new shares of MÁSMOVIL at an approximated proportion of 50% of capital and equivalent instruments and 50% in debt (senior as well as subordinated).

As a consequence of said corporate transactions during the 2016 financial year as well as those which place during prior financial years, the consolidation perimeter of the Group has been altered during the periods of 2014, 2015 and 2016. This makes it difficult to compare the audited consolidated financial information for those financial years, although aside from the mentioned perimeter changes, there have not been any modifications in the accounting criteria used.

**High indebtedness**

Recurring investments in fixed assets and the acquisition of complementary companies carried out in the past two (2) years have been generally financed by the Company through a combination of the Company's own resources and third party resources.

This leverage could have negative consequences on activity, the financial situation, operating profit/loss and cash flows, including:

- Harm the Company's ability to comply with one or more of the financial ratios included in the debt contract, which could cause the early maturity of part or all the existing debt;
- Place the Company at a possible competitive disadvantage compared to third parties with lower leverage and better access to third party financing sources;
- Increase the costs of current and future loans;
- Limit the Company's capacity to access new debt and promote necessary investment, or its ability to withstand complicated market moments with greater solvency;

- Force the Company to increase its capital stock or to disinvest specific strategic assets to comply with the commitments acquired with respect to its creditors;
- Limit the Company's ability to distribute dividends and buy back shares on the market.

The terms and conditions of debt contain restrictive provisions that limit the Company's ability to make certain decisions related with tangible contracts, Group indebtedness and the acquisition of other companies, among others.

In addition, MÁSMOVIL's debt contracts contain financial ratios (net debt divided by EBITDA, CAPEX, etc.) whose levels have to be complied with at the end of each quarter. Failure to comply with these agreements without their reestablishment in accordance with the provisions of the corresponding contract could result in the acceleration and immediate repayment of the debt, with the consequent negative impact on the Group's financial position.

#### **Risk derived from the financing operations performed with Providence**

On October 4, 2016, the loan contract dated July 12, 2016 was notarized, by reason of which MÁSMOVIL reached an agreement with the private capital company Providence Equity Partners L.L.C. through its subsidiary PLT VII Holdco S.à r.l. ("**Providence**"), by which it committed to invest between 165 million Euros and 200 million Euros in MÁSMOVIL through a long term convertible, which, assuming the total conversion of said instrument, meant that Providence would become the main shareholder of MÁSMOVIL. Said agreement resulted in the issuance of convertible bonds for a total amount of 165 million Euros which were fully subscribed by Providence, with said issuance being recorded in the Commercial Registry of Guipúzcoa, dated September 28, 2016.

The obligations can be converted, at the buyer's choice, at any date after the thirty-ninth (39) month subsequent to the date of issuance, and namely starting as of December 23, 2019, and up until the seventh business day before the maturity date (September 23, 2024). The initial price at which the obligations would be converted is established at 22 Euros per share and is subject to the circumstances described in the Bonds Conditions, without these being able to generate significant economic dilution, nor being protected from potential decrease in share price.

#### **Risk of the ACS Telefonía Móvil, S.L. Note**

On June 20, 2016, within the framework of the buying and selling operation of Xfera Móviles, S.A., several agreements were notarized for the acknowledgement of indebtedness and the capitalization of MÁSMOVIL regarding different operation counterparties, of which the only one with validity is the one which as formalized regarding ACS Telefonía Móvil, S.L. (ACS) for a minimum amount of 120 million Euros, which may reach 200 million Euros in case specific conditions are complied with, depending on the capitalization of the debt by decision of the creditor.

On March 31, 2017 and after specific modifications have taken place regarding the market conditions related to the assessment of said financial instruments (interest rate, pricing, risk rate, etc), caused the decision of using the share pricing on the date of closing instead of the average of the last 90 sessions, as it was done on December 31, 2016. In this regard it is necessary to point out that the share pricing on December 26, 2016 amounted to 26.6 Euros while the average of the last 90 sessions that was used in the estimate of the fair value of the instrument amounted to 25.37 Euros and on March 31, 2017 the value of the share amounts to 38 Euros, while the average of the last 90 sessions amount to 29.14 Euros.

According to the new calculations, performed regarding the Monte Carlo assessment model, the fair value of the financial instrument as a whole amounts to 189 962 thousand of Euros and the fair value of the amortized cost liability component on March 31, 2017 amounts to 73 250 thousand of Euros. Therefore the derivatives fair value amounts to the difference, this means 116 712 thousand of Euros, which meant the recording of an expense of 34 049 thousand of Euros in the appended profit and loss account. On the preparation date of these financial statements, the share pricing amounts to 56.50 and even though Directors have not estimated the fair value of the financial instrument on said date, the approximated impact that the fair value of the derivative could have over the profit and loss account would be of at least 64 million Euros, without these changes in value representing any cash outflow. Regardless of the foregoing, the share price variation of MÁSMOVIL would under no circumstance mean the increase or decrease of the payment commitment acquired with ACS.

#### **Interest rate, exchange rate and inflation risk**

MÁSMOVIL is exposed to different types of risks due to its balance structure. One of these risks is due to the existence of debt instruments linked to a variable interest rate.

An increase in benchmark rates, in this case the Euribor, could drive up the Company's financing costs and thus detract from resources from this activity that are destined for different purposes. In this sense, on December 31, 2016, an increase of 100 basis points in interest rates, with the remainder of variables remaining constant, would mean a decrease after tax profit/loss by 2.230 million Euros (26,000 Euros on December 2015), mainly due to the greater financing costs of variable interest loans.

Almost all of the operations performed by MÁSMOVIL are in Euros, due to which the exchange rate risk is limited.

However, if the Company considered it adequate to expand its business to other economies with currencies other than the Euro, the Company would be subject to exchange rate variations for the mentioned currencies against the Euro.

In relation to inflation, it is necessary to point out that MÁSMOVIL has contracted services linked to inflation with some of its main suppliers, so that any variation in the inflation rate registered in Spain would cause an updating of the financial conditions derived from these contracts.

#### **Negative working capital**

The Group, on December 31, 2016 presented a negative working capital of 238.268 million Euros. With the company operations performed during the financial year and taking into consideration the peculiarities regarding the Group's business cash flows, it is not foreseen that during the 2017 financial year, treasury needs will exceed the current financing capacity.

In this regard, the Group's main line of activity is to provide telecommunications services to the residential segment, a business that is characterized by a small collection period, which combined with a supplier payment period of close to forty (40) days, allows to optimize the use of group resources operating with negative working capital, with the difference between accounts receivable and accounts payable on December 31, 2016 amounting to 196.009 million Euros. In the opinion of the Group's Directors, it is not foreseen that during the 2017 financial year, circumstances will take place that have a negative impact on the Group's current cash flow structure.

**The Company's consolidated financial statement as of December 31, 2016 has in its assets an amount of 377 million Euros under the line item of Goodwill out of a total**

**of 737 million Euros in the intangible assets entry.**

In its statement as of December 31, 2016, the Group had a goodwill for an amount of 377 million Euros, which represented 20.2% of total assets on that date. On the other hand, total intangible assets amounted to 737 million Euros, representing 39.5% of total assets on that date.

This goodwill, which mainly records the difference between the price paid by the different companies acquired by the Company and the amount of their own funds, could suffer depreciation in its annual assessment according to applicable regulation in effect.

The depreciation of a large portion of the goodwill and other intangible assets could have a negative effect on the operating profit/loss presented and on the equity reflected in the financial situation statement, which at the same time could have a negative effect on business, financial situation and operating profit/loss of the Company. MÁSMOVIL considered that there is no need to set aside a provision for the depreciation of goodwills and recorded intangible assets as of December 31, 2016.

**Risk of not being able to apply the entirety of the tax credit**

Xfera, a Group company, has an elevated amount of tax credits due to negative tax bases generated since its incorporation. Its recoverability is conditional on the generation of sufficient profits over the following financial years, in other words, compliance with the objectives established in the business plan.

**Dependency of agreements on third parties, risks with the main technological operators and those related to a degree of subcontracting of critical procedures**

Even though it has its own infrastructure, MÁSMOVIL depends on the signing of strategic agreements with third parties, through which the company can offer a global and competitive service to the market. More specifically, MÁSMOVIL has agreement with Orange Espagne, S.A. regarding, among others, the provision of the National Wholesale Roaming Service as of October 7, 2016, as well as for the Mutualisation of Infrastructure of the FTTH network according to a contractual relationship last updated in October 2016; as well as an agreement with Telefónica Móviles de España, S.A. that regulates the terms and conditions of Mobile Service among Telefónica, Yoigo and Pepemobile, from December 12, 2016, which can have an effect on the efficiency of the global service provided by MÁSMOVIL.

In the event that agreements with third parties are not reached, since some of these aspects are regulated by the National Commission of Markets and Competition (“CNMC”, see [www.cnmc.es](http://www.cnmc.es)), or in the event that said agreements are not signed under optimum conditions for the Company, MÁSMOVIL’s business could suffer affecting its income, its operating profit/loss and the Company’s cash flow generation.

In addition, the interruption or a loss in the quality of services provided by the Orange and Telefónica (Movistar) networks, as well as any event that negatively affects the existing contracts with said operators or their renewal within the established time periods would have a negative effect on the Company’s customers, which would affect MÁSMOVIL’s income, its operating profit/loss and its cash flow generation.

Any problems related to these suppliers or the quality of the service provided to MÁSMOVIL through the use of their infrastructure, products and services could have a negative effect on the Company’s business and its market image, thus affecting its income, operating profit/loss and resulting in the generation of negative cash flows.

Lastly, the Company is highly dependent on different suppliers in order to be able to

execute its main operations and supply services and products (mainly the distribution channel, logistics, customer service, network operation and information systems, etc.). Interruptions or a decrease in the quality of the services or equipment supplied by MÁSMOVIL's main suppliers or the deterioration of its financial situation could negatively affect the Company's business, and as a consequence its income, operating profit/loss and cash flows.

#### **Risk of some of the agreements signed**

Some of the agreements signed by some of the companies that comprise the Group may not be subject to current market conditions.

Specifically, MÁSMOVIL has thought it fit to establish a provision of 57.497 million Euros since due to its consideration that the contract held by Xfera Móviles S.A. with a third party regarding the tower leasing is unfavourable for the company. This provision has been calculated as the difference between the annual cost of said contract, with a maturity date in 2030, up until its termination date, compared to the cost that a similar contract would incur under market conditions. This amounts to 57.497 million Euros.

#### **Need for recurring investment**

MÁSMOVIL, like the rest of companies in the sector, has the need to recurrently invest in order to develop, expand and maintain current network infrastructure. In the past financial years, the Company has performed a strategy intensive in corporate transactions, which has translated into an extraordinary policy for investment in fixed assets, particularly during the period of 2015 and 2016. The Group considers that the level of recurring investments, excluding extraordinary factors associated with the deployment of fibre-optics, mobile networks or customer migration, among others, could reach an annual volume of about 30 million Euros.

A deviation in the aforementioned investments or losses could mean the loss of the Company's competitive position on the market, thus having a negative effect on its income, operating profit/loss, financial situation and cash flow generation.

#### **Risk of income concentration in the country**

Possible political destabilization in Spain could affect the sale of products and services of the Company, which is mainly focused on the domestic market (99.7% of the total revenue in the 2016 financial year). In the same way, part of success of MÁSMOVIL's business is largely dependent on its ability to detect and respond quickly and adequately to socio-demographic trends or consumption changes, etc. As a consequence, there is a risk that socio-demographic trends or consumption changes will cause the Group to be unable to adapt or react adequately to said changes in circumstances, which could affect the Group's business, profit/loss, prospects or economic, financial or equity situation negatively.

#### **Risk in the execution of corporate transactions**

MÁSMOVIL has partially based its growth strategy on the execution of different corporate manoeuvres over the past few years, with the period between 2014 and 2016 considered an especially intense period of time with the execution of over one dozen integration operations with regards to different complementary companies, among which it is necessary to point out the operations to integrate Yoigo and Pepephone. The Company

does rule out basing its strategy on a combination that implies organic growth based on increased income through the incorporation into the Group of new customers that trust its capacity and the increased penetration of services and products sales within its current customer base, as well as a reduction in expenses as a result of the increased management and control of costs, as well as agreements with cooperating partners. This organic growth could be complemented by a strategy for integrating other synergic companies into the company that provide value to the MÁSMOVIL's shareholders. The extensive experience acquired as a part of the negotiation and integration procedures recently experienced by MÁSMOVIL's managers could minimize this risk, although it is impossible to distort the possibility that some of the risks and contingencies attached to corporate transactions could materialize.

### **Technological risks**

- Accidents that affect facilities, malfunctions in technological information systems and risks related to the unavailability of the network and systems infrastructure

Despite the insurance policies taken out, if any of the company's facilities or infrastructure undergoes a significant accident or there is a malfunction in equipment or another unexpected event (i.e. an earthquake, fire or explosion, etc.), the elements that MÁSMOVIL uses most often in carrying out its business activities could be damaged. In addition, the resumption of product development could be affected by delays, inasmuch that it is necessary to procure the necessary authorization for the reconstruction of all or part of facilities and infrastructures.

MÁSMOVIL's activities are highly dependent on its infrastructure and information technology systems. If the Company suffers a structural malfunction or a cyber attack on one of its systems or networks that it is not possible to correct within a reasonable time period, it could experience important alterations that could modify the service volume offered to the market, its image and prestige in the eyes of third parties, compliance with applicable legislation, as well as its income, operating profit/loss and cash flows. In addition, under specific circumstances established by industry regulation, MÁSMOVIL could be forced to compensate the customers affected by the alterations or interruptions in the service.

- Quality of service

The need to offer uninterrupted quality services to its customers could imply that any defect in the quality and recurrence of the services offered by the Company could affect its image on the market, negatively affecting its income, operating profit/loss and cash flows.

- Risks related to the maintenance and improvement of the network and information systems

The maintenance and improvement of the network and information systems is critical in order to supply the adequate services and products to MÁSMOVIL's customers and to therefore obtain a high level of satisfaction. In cases in which said maintenance and improvement is not carried out continuously, the Company could lose customers to competitors which offer an improvement in services, negatively affecting its income, operating profit/loss and cash flows.

### **Key staff**

MÁSMOVIL has management staff that accumulates experience, knowledge and talent acquired over their the years at MÁSMOVIL and other companies in the industry. These people are key for the Company's present and particularly for its future.

### **Reputational risk**

The different group brands that comprise MÁSMOVIL are important business assets, due to which any damage could negatively affect its business, income, operating profit/loss and cash flows.

### Legal and regulatory risks

#### **Risk of changes in regulations and legislation**

The Company operates in a regulated sector. The telecommunications market in Spain is regulated by the National Commission on Markets and Competition (the “**CNMC**”), which is an organization the main goals of which are ex-ante and ex-post sector regulation to prevent unacceptable market and competition situations, guarantee the compliance with network interconnection conditions and resolve disputes between operators.

Any change in the current regulatory framework, and in particular changes in the regulatory established prices of the wholesale operators which supply MÁSMOVIL, as well as modifications to current regulations in effect or any decision adopted by the CNMC could change current market conditions and therefore represent a risk factor, for MÁSMOVIL as well as for the remainder of actors on the domestic telecommunications market.

#### **Universal service level risk**

The net cost of providing universal service must be annually approved by the CNMC based on the methodology established by it regarding the charging of costs as well as the attribution of income, including the non-monetary profits, and must be based on objective, transparent, non-discriminatory and proportional procedures and criteria.

Based on the General Telecommunications Law, operators with an invoicing exceeding 100 million Euros could be designated to finance the cost of universal service. The list of specific operators that are liable for financing the cost of universal service in 2014 is currently being processed. According to the new criteria, Xfera Móviles S.A. (“**Yoigo**”) belonging to the Group could be appointed as an operator liable for financing said fund. This fact would have a negative impact on MÁSMOVIL’s profit/loss and its operational cash flows in the future.

#### **Risk associated with regulations protecting the collection of personal information**

MÁSMOVIL’s business processes and manages a large amount of personal information. These type of data is subject to multiple national and international regulations (data protection laws). The impossibility of complying with said regulations would represent a risk factor for MÁSMOVIL, which would have a negative impact on its profit/loss and operational cash flows.

#### **Risks associated with litigation**

The Company may see itself involved in commercial disputes as well as legal or arbitration proceedings with public or private entities. These types of proceedings that are associated with penalties or damages could negatively affect MÁSMOVIL’s business if these are not managed diligently and efficiently. The Group has performed a risk assessment on each open proceedings instance and has not considered it necessary to set aside any provisions based on the estimated risk.

#### **Possible tax risks**

Tax risks that may be derived come from changes in tax law, basically due to the needs of governments to increase collection or delay the application of tax assets established in the current legislation. The telecommunications sector has been traditionally penalized from a tax standpoint, since it has been understood that it has been operating with high margins and profitability, so in addition to the taxes applied to any sector, it is subject to specific taxation.

To date, there are several public administration initiatives that are being disputed by operators: municipal fees on public domain use, the audiovisual sector promotion fee in Catalonia or the review of the calculation parameters for the tax on economic activities. Other initiatives along the same lines could be initiated in the future, having an impact on the Company's profit/loss and operational cash flows.

#### Risks derived from the sector of activity

##### **Competition and/or price pressure and changes in the telecommunications sector**

The telecommunications sector in Spain is highly competitive, due to which the consolidation of operators, the entry of new competitors or pressure on products and services prices could affect the Group's business.

On the other hand, there is a possibility that traditional telecommunications operators, due to the drop in quota that they have suffered lately, will develop an expansion policy through their main or secondary brands based on a price war that will generally affect all market operators, although the current market trend is the opposite and MÁSMOVIL's business model has never been based on price but rather quality of the service and technological sufficiency at a competitive price.

It is also necessary to point out the greater financial capacity of some of MÁSMOVIL's main competitors in Spain. This greater financial capacity could be focused to erode the business of other competitors, among which MÁSMOVIL would be included, or to make investments in infrastructure or other assets that allowed to improve the competitive capacity on the market of some of the Company's traditional competitors.

The success of MÁSMOVIL's business model is based on the quality of the service and the products currently offered on the market, as well as the continuous renewal and updating of its offer based on the requirements and changes that take place in a highly competitive and permanently changing market. Any delay or absence in the introduction of an offering for products and services, at the least similar to that offered by the MÁSMOVIL's main competitors, could mean the loss of the Company's competitive market position and therefore a loss of its current market share, with the corresponding influence on its income, operating profit/loss and cash flows.

In addition, the Company is constantly undergoing analysis and research to develop services, products and rates that are appealing to the market. If these do not behave according to MÁSMOVIL's expectations, they could represent a loss of its competitive market position, as they have a direct impact on the Company's income, operating profit/loss and cash flows.

Ultimately, the Spanish telecommunications sector is highly competitive, due to which the consolidation of operators, the entry of new competitors or pressure on the prices of products and services could affect the Group's business.

##### **Risk associated with disruptive technologies**

Telecommunications technologies are characterized by their constant changes and quick evolution. The possible inability of the organization to anticipate and/or adapt to the

disruptive technologies that may emerge could generate a loss of market competitiveness for the Company.

#### **Risk of restrictions in access to financing for customer terminals**

MÁSMOVIL bases part of its customer acquisition and retention on the financing of terminals that several financial entities offer to the subscribers to the services offered by the Group. The cancellation and/or insufficiency of this financing for consumption could limit MÁSMOVIL's capacity for growth as well as cash flow generation to comply with the Company's financial obligations.

#### **Risks associated with changes in accounting standards**

The telecommunications sector must comply with the accounting standards applicable in its geographic and industry environment. For these purposes, any change in accounting standards may significantly affect profit/loss, forecasts or the financial, economic or equity situation of the Group. In the next few years, accounting novelties are forecasted in the IFRS 15 (Income from contracts with customers, starting as of January 1, 2018) and IFRS 16 (Leasing, starting as of January 1, 2019) which will significantly affect the sector operators.

#### Macroeconomic risks

MÁSMOVIL's business may be affected by adverse economic conditions such as an increase in the unemployment rate or a reduction in per capita income, aspects that would reduce the real income available to potential consumers. Likewise, the business may be affected by situations of instability in international relations, the first effects of which are perceived in the volatility of financial variables. This would have a negative impact on the Group's profit/loss, forecasts or financial, economic or equity situation.

On the other hand, the Company is also exposed to risks associated to its geography, such as the meteorological risks or natural conditions of each country that, in the event that they occur, could negatively affect the profit/loss, forecasts or financial, economic or equity situation of the Group.

**Mr.3.**

#### **Risk factors for the securities offered and/or admitted to listing**

##### Share price

Securities markets present high volatility due to the current economic and political situation.

The situation of the Spanish and global securities market, as well as the occurrence of several types of factors that are out of the Company's control, could have a negative effect on the value of the share price, making it volatile. Factors such as the Company's operating profit and loss, changes in the recommendations of financial analysts regarding the Company or the global conditions of financial markets, securities or in the sector in which MÁSMOVIL operates, could have a negative effect on the price of the Company's shares, with this factor in turn having a negative effect on the Company's share price.

##### Share liquidity

Without prejudice to MÁSMOVIL's shares being admitted to listing on the Alternative Investment Market, Companies under Expansion section (the "MAB-EE"), the Company requested the admission to trading of all its shares in the Madrid, Barcelona, Bilbao and Valencia Securities Exchange and expects these shares to be admitted to negotiation on July 14<sup>th</sup>, 2017, however, there are no guarantees regarding the contracting volume the

shares would reach nor their respective liquidity, and it cannot be assured that they will develop and be maintained on an active negotiating market for the Company shares. Nonetheless, MÁSMOVIL has signed a liquidity contract with Santander Investment Bolsa, Sociedad de Valores, S.A.U according to the contents of Circular 1/2007.

#### Sale of Company shares following admission to listing

The sale of a substantial number of Company shares on the market after it is admitted to listing, or the perception on the market this will or could take place, could negatively affect the share's market price.

In any case, it is necessary to point out that since the shares have been quoted historically on the MAB-EE, if any shareholder wanted to sell its shares package, it would have already had mechanisms to do so through said market.

#### Dividends' distribution

MÁSMOVIL has no intention of distributing any dividends charged against the profit/loss for the 2017 or the 2018 financial year to its shareholders. However, its financial capacity to distribute dividends can be affected by any of the risks mentioned herein, as well as by changes in constraints reflected in the different financing agreements currently in effect.

Dividends depend on profits and the company financial situation, its debt servicing obligations derived from the agreements acquired in financing contracts, cash requirements (including investments), regulatory requirements and other factors that MÁSMOVIL considers relevant at each given moment. Therefore, the Company's ability to distribute dividends cannot be guaranteed in the future. Said ability may be limited and/or changes may take place in the dividends policy. If dividends are not paid in the future, capital gains on share as well are, as applicable, the only source of income for investors.

#### Dilution risk

In the event of a capital stock increase with the exclusion of pre-emptive rights or in which existing shareholders decide not to acquire new ordinary shares, the issuing of new shares could dilute existing shareholders and could have a negative effect on the Company's share price on the market.

At the same time, in the future, the Company may recognize the right to issue debt instruments susceptible to be converted into ordinary shares in the company, either by decision of the General Shareholders' Meeting or by decision of the Board of Directors (in this last case, under the prior delegation of the General Shareholders' Meeting). In the event that the Company decides to issue this type of instrument in the future, potential conversion into the abovementioned type of ordinary Company shares could represent a dilution in the proportion of shares owned by the current shareholders.

As mentioned above, on October 4, 2016, the loan contract dated July 12, 2016 was notarized, via which MÁSMOVIL reached an agreement with the private capital company Providence Equity Partners L.L.C. through its subsidiary Providence, through which it committed to invest between 165 million Euros and 200 million Euros in MÁSMOVIL through a long-term convertible. Said agreement resulted in the issuance of convertible bonds for a total amount of 165 million Euros which were fully subscribed by Providence, recording said issuing in the Commercial Registry of Guipúzcoa, dated September 28, 2016.

The conversion is voluntary and can only be executed after three (3) years and three (3) months subsequent to issuance.

Once that date arrives and in the event of complete conversion by Providence, the situation may arise that this shareholder would have a share of greater than 30% of MÁSMOVIL's share capital, with their being no other choice, according to the provisions of article 128 and the following articles ("Chapter IX – On Public Take-over Bids") of the Redrafted Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015 of October 23 than to initiate a TOB over 100% of the Company's share capital.

In addition, on June 20, 2016, a contract for acknowledgement of debt and the debt assumption and capitalization of MÁSMOVIL regarding ACS Telefonía Móvil, S.L. was notarized for a minimum amount of 120 million Euros, which may increase to 200 million Euros if specific conditions are met, in which the capitalization of the debt depends on the will of the creditor.

In summary, the corporate transactions performed by MÁSMOVIL over the past few years, and in particular the acquisitions of Yoigo and Pepephone, have caused a change in the Group's financing structure.

Part of the incorporated financing has been carried out through financial instruments that contemplate the possibility of them being converted into MÁSMOVIL shares in their entirety.

Therefore, MÁSMOVIL's financial statement as of March 31, 2017 includes three differentiated instruments regarding which, if the creditor decides to turn them into shares, the company would have to increase its capital stock by issuing a maximum of 13.603 million shares (according to the calculations possible as of the current date), which would mean that current shareholders could see their share of capital diluted by up to 40%. The following chart summarizes the operations that may result in the issuing of new shares:

Description	Max amount (€)	Share value (€)	Max No. of shares	Date
Providence* (Convertible debentures)	182.658.960	22,0	8.302.680	Between 23 December 2019 and 16 September 2024
Yoigo (Note)	120.000.000	25,0	4.800.000	25 euros until 5 October 2019. 40 euros until 5 October 2023
Director's Stock Option Plan	10.210.000	20,4	500.000	Before 31 May 2018
	312.868.960	23,0	13.602.680	

Capital Movements	Shares	Capital %
Current Capital	19.951.100	(a) 59,46%
New shares to be issued (maximum)	13.602.680	(b) 40,54%
Resulting capital amount	33.553.780	(a)+(b) 100,00%

\* The calculation considers the maximum possible conversion at 3 years and 3 months (nominal + 50% of interest)

On the other hand, there are operations that may represent payment in shares, which would not necessarily consists of a new issuance and therefore would not be reflected in the above chart. These operations refer to: i) the acquisition of the virtual mobile operator business unit of Llamaya, which could also lead to a dilution in the event that is necessary to pay "earn-outs" and it is decided to make said payment partially in shares (a maximum of 300,000 shares of MÁSMOVIL if the total earn-out is reached and MÁSMOVIL decides to carry out this payment in company shares) at the discretion of MÁSMOVIL; ii) the acquisition of 100% of the share capital of the company Embou Nuevas Tecnologías, S.L. (175,000 MÁSMOVIL shares).

#### Agreements between shareholders

The Company has knowledge of the signing of a single agreement among the shareholders, signed on October 26, 2016, by Onchena, S.L.U., Key Wolf, S.L.U., Norsis Creaciones, S.L.U., Inveready Seed Capital, SCR, S.A., Mr. José Manuel Alsedo Solís, Asesoramiento y Planeamiento, S.L. and Inveready Capital Company, S.L., the purpose of which is the syndication of Company shares, with the purpose of voting the same way at Company Shareholders' Meetings, with respect to the agreements listed in the

abovementioned agreement. The abovementioned agreement will remain in effect so long as the parties remain holders of the Company shares.

The abovementioned shareholders' agreement was promoted by Inveready Capital Company, S.L., Key Wolf, S.L.U. and Norsis Creaciones, S.L.U., which were already shareholders of the Company, with the participation in the MÁSMOVIL capital stock increase of July 2016 of the remaining signatories to the agreement. Through this syndication agreement, the parties intend to establish a common stance regarding decision making, to benefit the company and the protection of their investment. In this regard, the parties have decided that Inveready Capital Company, S.L., due to its profile as a professional investor and greater knowledge regarding the Company and the market, will inform the other parties of which way to vote.

Through the above mentioned syndication agreement, the parties intend to establish a common stance in decision making. Nevertheless, Inveready Capital Company, S.L. (or by default Key Wolf, S.L.U.) cannot impose the direction of their votes in the event of disagreement among the remaining members of the agreement. The following would be the operation of the syndication agreement, in a nutshell:

(iii) Initially, the agreement members must vote in the direction communicated by Inveready Capital Company, S.L. If this company is unable to vote or does not indicate the direction of its vote, the remaining parties will vote in the direction communicated by Key Wolf, S.L.U.

(iv) However, the shareholders that have signed the abovementioned agreement have the right to opposition, and do not have to vote in the direction communicated. In the event of a discrepancy, the parties must hold a meeting and try to reach a common ground. If said consensus is not reached, they will be free to vote however they so decide.

These shareholders control, whether directly or indirectly, 31.4% (6.27 million shares) of MÁSMOVIL's share capital on the date that this Informational Prospectus is issued.

In the event that the interests of these shareholders differ from the interests of the remaining Company shareholders, this could imply a risk for the later.

Regarding this, it is necessary to mention that not having received any declaration against this by the signatories of the agreement, the Company considers that there is no agreed upon action in said agreement.

#### Currencies other than the Euro

The shareholders of countries with currencies other than the Euro will have, regarding the holding of MÁSMOVIL shares, an additional investment risk connected to exchange rate differences. MÁSMOVIL shares will initially be listed only in Euros and any future dividend payment will be made in Euros. Therefore, any dividend paid by the company shares or received in relation to the sale of any MÁSMOVIL shares could be negatively affected by the fluctuation of the Euro versus other currencies.

#### Shareholders of jurisdictions outside the EU may potentially be unable to exercise their acquisition or pre-emptive acquisition rights to acquire new shares

Pursuant to the Spanish Companies Act, the holders of Company shares have the generic right to subscribe and/or acquire a sufficient number of shares to maintain their percentage share of share capital at the amount that they had before the issuance of the new shares. However, it is possible that holders of Company shares located in jurisdictions outside the European Union, with respect to the regulations applicable to said jurisdictions, may not be

	able to exercise their pre-emptive acquisition or subscription rights unless the requirements established in their respective regulations are met or some exemption case is applicable. The company can decide not to comply with said formalities and there is no guarantee that an exemption will be available. Accordingly, any shareholder affected in this regard may lose their subscription or pre-emptive acquisition rights, reducing their relative percentage share of Company capital. In particular, it may be possible that holders of Company shares residing in the United States of America may be unable to exercise or sell any subscription or pre-emptive acquisition in the future regarding Company shares unless an offer document is recorded according to the <i>United States Securities Act</i> of 1933 or an exemption from this recording is applicable and the shareholder decides to invoke it.
--	---

**Section E – Issuance**

Element	Information obligations												
<b>E.1</b>	<p><b>Total income and calculation of total expenses for the issuance, including the estimated expenses applied to the investor by the Issuer or the offerors:</b></p> <p>Due to the difficulty of precisely establishing the amount of the total issuance expenses, below is an estimate of expenses (not including VAT) of the admission to listing of the Company's shares, for information purposes only.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr style="background-color: #006633; color: white;"> <th style="text-align: left;">Facilities and equipment</th> <th style="text-align: right;">Amount (in euros)</th> </tr> </thead> <tbody> <tr> <td>Iberclear fees <sup>(1)</sup></td> <td style="text-align: right;">50,500</td> </tr> <tr> <td>Fees and charges of Spanish Stock Markets <sup>(1)</sup></td> <td style="text-align: right;">115,081</td> </tr> <tr> <td>CNMV fees</td> <td style="text-align: right;">25.000</td> </tr> <tr> <td>Legal expenses and others <sup>(2)</sup></td> <td style="text-align: right;">604.000</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>794,581</b></td> </tr> </tbody> </table> <p><sup>(1)</sup> for information purposes only, the basis of the calculation is taken as the share price corresponding to July 10<sup>th</sup>, 2017 which amounts to 57.1 Euros.</p> <p><sup>(2)</sup> Including Notarial, Commercial Registry, legal and commercial advertisement, printing, legal, financial, accounting and auditing counselling expenses.</p>	Facilities and equipment	Amount (in euros)	Iberclear fees <sup>(1)</sup>	50,500	Fees and charges of Spanish Stock Markets <sup>(1)</sup>	115,081	CNMV fees	25.000	Legal expenses and others <sup>(2)</sup>	604.000	<b>Total</b>	<b>794,581</b>
Facilities and equipment	Amount (in euros)												
Iberclear fees <sup>(1)</sup>	50,500												
Fees and charges of Spanish Stock Markets <sup>(1)</sup>	115,081												
CNMV fees	25.000												
Legal expenses and others <sup>(2)</sup>	604.000												
<b>Total</b>	<b>794,581</b>												
<b>E.2.a</b>	<p><b>Reasons for the issuance:</b></p> <p>The purpose of the request for admission to listing of the Company's shares is essentially the following: (i) to facilitate the Company's access to capital markets (including debt instruments); (ii) to promote the prestige, transparency and image of the Company as a result of its condition as a listed company; (iii) to expand the shareholder base of the Company; and (iv) to offer increased liquidity to the Company's shareholders through the negotiation of shares on the Securities Exchange.</p>												
<b>E.3</b>	<p><b>Description of issuing conditions:</b></p> <p>The admission to trading of the shares is not subject to any type of condition.</p>												
<b>E.4</b>	<p><b>Description of any interest that is important for the issuance, including conflict of interest:</b></p> <p>The Company has no knowledge of the existence of any significant economic link or</p>												

	<p>interest between the Company and the entities that have provided counselling services regarding the admission to trading of the Company's shares, namely: KPMG Auditores, S.L. (as an accounts auditor), KPMG Abogados, S.L. (as a legal counsellor) and NORGESTION, S.A. (as counsellor for the preparation of the Informational Prospectus), except the strictly professional relationship derived from legal, financial or accounting consulting.</p> <p>During the period covered by historical financial information up until the registration date of this Prospectus and, according to the information provided by the Company, neither the Company Board of Directors nor the management and supervision bodies nor its managers have any conflict of interest with respect to their duties to the Company and private interests, or conflict of interest of any type, nor do they perform activities on their own or through third parties regarding the same, an analogous or a complementary type of activity as that which constitutes the Company's corporate purpose, according to the provisions of Article 229 of the Spanish Companies Act.</p>
<b>E.5</b>	<b>Name of the person or entity offering to sell the securities:</b>  Not applicable.
<b>E.6</b>	<b>Amount and percentage of the immediate dilution resulting from the offer:</b>  Not applicable.
<b>E.7</b>	<b>Estimated expenses applied to the investor by the Issuer:</b>  Not applicable.

## II. RISK FACTORS

Before adopting the decision to invest in the Company, the following factors that are listed below must be carefully examined (the “**Risk Factors**”), as well as the remaining information contained in this Prospectus. The Risk Factors that, together with the Securities Note, Summary and the Registration Document, as well as each of these documents, are defined in of their respective sections, make up the informational prospectus (the “**Prospectus**”). Any of these risks can cause a substantial negative impact in the financial situation, the business or the operating profit/loss of the Company MÁSMOVIL IBERCOM, S.A. (the “**Company**”, “**MÁSMOVIL**”, the “**Group**”, “**Grupo MÁSMOVIL**” or the “**Issuer**”). Likewise, it must be taken into consideration that said risks can affect the price of the Company shares, which could cause a total or partial loss of the investment carried out.

Likewise, future risk factors which are currently unknown or not considered to be relevant by MÁSMOVIL for the time being, can also affect its financial situation, businesses or operating profit/loss.

### 1. SPECIFIC RISK FACTORS OF THE ISSUER OR ITS SECTOR OF ACTIVITY

#### 1.1. Issuer-specific risks

##### 1.1.1. Group profit/loss

The year 2016 was transformational in the history of the Group while emerging as the fourth largest telecommunications operator in Spain following the acquisitions of Yoigo and Pepephone, with a combined cost of 753 million Euros (595 million Euros in the case of Yoigo and 158 million Euros in the case of Pepephone) and the massive launch of its convergent offering over its own broadband assets (FTTH and ADSL) as well as those acquired from Grupo Orange.

The Group presented losses of 58 million Euros on December 31, 2016, and an operating loss of 40 million Euros. However, the Group’s situation as of December 31, 2016 needs to take the following into account:

- The annual accounts for the 2016 financial year are the result of the consolidation of each of the companies acquired by the Group as of the date of incorporation. This fact results in figures for the companies incorporated reflecting figures for previous periods in the year.
- Due to the significant growth in the Group’s perimeter through acquisitions, the figures cannot be compared with those of the previous year.
- The Group approximately gauges its consolidated income figures for the 2016 financial year at 401 million Euros (130 million Euros in 2015), with an EBITDA of 657,000 Euros, an amount that would amount to 31 million Euros in recurring terms (11 million Euros in 2015).
- The Group approximately gauges its consolidated proforma amounts, in other words, taking into consideration that the Yoigo and Pepephone acquisitions would have been executed on January 1, 2016, in terms of income and EBITDA at 1.120 billion Euros and 88 million Euros respectively, with a recurring EBITDA of 119 million Euros.

On March 31, 2017, the losses for the quarter amounted to 7.6 million Euros, even though the company also demonstrated operating profits of 11.9 million Euros.

Risks derived from the recent acquisition of Pepephone and Yoigo and difficulty of comparing the Company's audited consolidated financial information prior to 2016 with the audited consolidated financial information corresponding to the financial year ending on December 31, 2016, the data of which is provided during this MÁSMOVIL Informational Prospectus

The Company has acquired all company shares and shares of the companies associated with the brands Pepephone and Yoigo. Said corporate transactions required a large amount of resources, leading to an important cash outflow, and increase in financial indebtedness, as well as the execution of capital stock increases. Particularly, the acquisition of Pepephone and Yoigo has been financed through a combination of debt and issuing of new shares of MÁSMOVIL at an approximated proportion of 50% of capital and equivalent instruments and 50% in debt (senior as well as subordinated).

Despite having performed a legal and business review process regarding Pepephone and Yoigo, with a necessarily limited scope, as well as regarding the additional financial years under review prior to the signing of the purchase and sale contract for Pepephone and Yoigo, it is nonetheless possible that the assets subject to acquisition by the Company could have latent debts or malfunctions of a tangible nature that were not apparent or known by the Company, or that were not detected at the time of the acquisition and due to which the Company would have to face unexpected contingencies.

The integration of Pepephone and Yoigo into the group following the purchase may be difficult and complex, and the costs, profits and synergies derived from said integration may potentially not be in line with those expected. The integration procedure can also cause alterations in the existing businesses as well as unexpected expenses.

As a consequence of said corporate transactions during the 2016 financial year as well as those which took place in prior financial years, the consolidation perimeter of the Group has been altered in the periods of 2014, 2015 and 2016. This makes comparing the audited consolidated financial information for those financial years to be difficult, despite the fact that aside from the mentioned perimeter changes, there have not been any modifications in the accounting criteria used.

#### High indebtedness

Recurring investments in fixed assets and the acquisition of complementary companies carried out in the past two (2) years have been generally financed by the Company through a combination of the Company's own resources and third party resources.

At the closing of the 2016 financial year, the Company had a total financial indebtedness of 937 million Euros in its financial statement (see section 10.1 of the Registration document to obtain further details), the main entries of which are the following:

Financial liabilities (In thousand euros)	31/12/2016	
	Non current	Current
Debts with credit institutions	434.125	35.939
Other debts	5.756	939
Debts under finance lease	34.350	6.782
Other financial liabilities	181.998	136.159
Financial derivative instruments	27.727	72.741
<b>Total</b>	<b>683.956</b>	<b>252.560</b>

On the other hand, at the closing of March 31, 2017, the Company had the following financial indebtedness in his financial statement:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Financial liabilities (In thousand euros)	31/03/2017	
	Non current	Current
Debts with credit institutions	438.557	32.373
Other debts	5.898	880
Debts under finance lease	32.725	6.747
Other financial liabilities	240.257	119.955
Financial derivative instruments	57,212	60.499
<b>Financial liabilities</b>	<b>774,649</b>	<b>220.454</b>

The following are the contractual maturity dates of financial liabilities, including estimated interest payments as of March 31, 2017:

Financial liabilities (Thousand euros)	31/03/2017							
	Book value	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Debts with credit institutions	470.930	593.089	32.373	58.143	105.387	111.002	125.337	160.847
Other debts	6.778	6.636	880	727	1.143	1.354	0	2.532
Debts under financial lease	39.472	50.271	6.747	7.453	7.342	7.189	6.825	14.715
Other financial instruments	360.212	372.472	119.955	5.960	6.460	33.068	5.625	201.404
Financial derivative instruments	117,711	117,711	60.499	56,213	0	0	999	0
<b>Total</b>	<b>995,103</b>	<b>1.140,179</b>	<b>220.454</b>	<b>128,496</b>	<b>120.332</b>	<b>152.613</b>	<b>138.786</b>	<b>379.498</b>

Contractual cash flows reflect the total payment of the principal and interest during the lifespan of the financial liability defined according to the contract.

The Company's current or future leverage could prevent it from generating sufficient cash to pay the principal, interest or any other amounts owed at the time of the maturity of the different debt instruments existing as of the closing of the Company's 2016 statement.

Likewise, subject to specific limitations marked by its current leverage, the Company has the capacity to access new lines of financing within the limitations established with its financial entities.

This leverage could have negative consequences on its activity, financial situation, operating profit/loss and cash flows, including:

- Harm the Company's ability to comply with one or more of the financial ratios included in the debt contract, which could cause the early maturity of part or all the existing debt;
- Place the Company at a possible competitive disadvantage compared to third parties with lower leverage and better access to third party financing sources;
- Increase the costs of current and future loans;
- Limit the Company's capacity to access new debt and promote necessary investment, or its ability to withstand complicated market moments with greater solvency;
- Force the Company to increase its capital stock or to disinvest specific strategic assets to comply with the commitments acquired with respect to its creditors;
- Limit the Company's ability to distribute dividends and buy back shares on the market.

The terms and conditions of debt contain restrictive provisions that limit the Company's ability to make certain decisions related with tangible contracts, Group indebtedness and the acquisition of other companies, among others.

In addition, MÁSMOVIL's debt contracts contain financial ratios (net debt divided by EBITDA, CAPEX, etc.) whose levels have to be complied with at the end of each quarter. Failure to comply with these agreements without their reestablishment in accordance with the provisions of the corresponding contract could result in the acceleration and immediate repayment of the debt, with the consequent negative impact on the Group's financial position.

#### Risk derived from the financing operations performed with Providence

On October 4, 2016, the loan contract dated July 12, 2016 was notarized, by reason of which MÁSMOVIL reached an agreement with the private capital company Providence Equity Partners L.L.C. through its subsidiary PLT VII Holdco S.à r.l. ("**Providence**"), by which it committed to invest between 165 million Euros and 200 million Euros in MÁSMOVIL through a long term convertible, which, assuming the total conversion of said instrument, meant that Providence would become the main shareholder of MÁSMOVIL. Said agreement resulted in the issuance of convertible bonds for a total amount of 165 million Euros which were fully subscribed by Providence, with said issuance being recorded in the Commercial Registry of Guipúzcoa, dated September 28, 2016.

The obligations can be converted, at the buyer's choice, at any date after the thirty-ninth (39) month subsequent to the date of issuance, and namely starting as of December 23, 2019, and up until the seventh business day before the maturity date (September 23, 2024). The initial price at which the obligations would be converted is established at 22 Euros per share and is subject to the circumstances described in the Bonds Conditions, without these being able to generate significant economic dilution, nor being protected from potential decrease in share price.

The conversion is voluntary and can only be executed after three (3) years and three (3) months since the issuing.

#### 1.1.2. Risk of the ACS Telefonía Móvil, S.L. Note

1.1.3. On June 20, 2016, within the frame of the Xfera Móviles, S.A. buying and selling operation, several debt acknowledgement and debt acknowledgement commitment and capitalization contracts of MÁSMOVIL were notarized regarding the different counterparties of which the only one in effect is the one which was formalized regarding ACS Telefonía Móvil, S.L. (ACS) for a minimum amount of 120 million Euros, which may reach 200 million Euros in case specific conditions are complied with, depending on the capitalization of the debt by decision of the creditor.

1.1.4. On March 31, 2017 and after specific modifications have taken place regarding market conditions pursuant to the assessment of said financial instrument (interest rate, pricing, risk rate, etc), have lead to the decision of using the listing of the share at the closing date instead of the average of the last 90 sessions, as it was done on December 31, 2016. In this regard it is necessary to point out that the share pricing on December 26, 2016 amounted to 26.6 Euros while the average of the last 90 sessions that was used in the estimate of the fair value of the instrument amounted to 25.37 Euros and on March 31, 2017 the value of the share amounts to 38 Euros, while the average of the last 90 sessions amount to 29.14 Euros.

1.1.5. According to the new calculations, performed regarding the Monte Carlo assessment model, the fair value of the financial instrument as a whole amounts to 189 962 thousand of Euros and the fair value of the amortized cost liability component on March 31, 2017 amounts to 73 250 thousand of Euros. Therefore the derivatives fair value amounts to the difference, this means 116 712 thousand of Euros, which meant the recording of an expense of 34 049

thousand of Euros in the appended profit and loss account . On the preparation date of these financial statements, the share pricing amounts to 56.50 and even though Directors have not estimated the fair value of the financial instrument on said date, the approximated impact that the fair value of the derivate could have over the profit and loss account would be of at least 64 million Euros, without these changes in value representing any cash outflow.

Regardless of the foregoing, the share price variation of MÁSMOVIL would under no circumstance mean the increase or decrease of the payment commitment acquired with ACS.

#### Interest rate, exchange rate and inflation risk

MÁSMOVIL is exposed to different types of risks due to its balance structure. One of these risks is due to the existence of debt instruments linked to a variable interest rate.

Below are the details of the financial assets and liabilities maintained as of December 31, 2016 at a fixed and variable interest rate:

<b>Interest Rate Risk (In thousand euros)</b>	<b>Book Value 31/12/2016</b>
Financial Assets	4.300
Financial Liabilities	-491.745
<b>Fixed interest rate instruments</b>	<b>-487.445</b>
Financial Liabilities	-444.771
<b>Variable interest rate instruments</b>	<b>-444.771</b>
<b>Interest Rate Risk</b>	<b>-932.216</b>

Source: MASMOVIL Group

An increase in benchmark rates, in this case the Euribor, could drive up the Company's financing costs and thus detract from resources from this activity that are destined for different purposes. In this sense, on December 31, 2016, an increase of 100 basic points in interest rates, with the remainder of variables remaining constant, would have decreased after tax profit/loss by 2.230 million Euros (26,000 Euros on December 2015), mainly due to the greater financing costs of variable interest loans.

On December 31, 2016, in order to mitigate the increased debt cost related to the Euribor, MÁSMOVIL contracted interest rate coverage financial instruments (hereinafter "**Swaps**") for the different components of the syndicated facilities agreement: (i) a usable nominal amount of 28.133 million Euros for component A and 98.933 million Euros for component B (with both *Swaps* assuring a fixed interest rate of 0.367%); and (ii) for section C, a nominal amount of 14.118 million Euros, ensuring a fixed interest rate of 0.379%.

Thanks to this coverage, the Company estimates that a variation of +/- 100 basic points in the interest rates applicable to the referenced debts at a variable interest rate would not have a significant impact on the profit/loss for the financial year or the Company's net equity as of December 31, 2016.

On December 31, 2016 financial expenses amounted to 25.350 million Euros (2.537 million Euros on December 31, 2015). On March 31, 2017, the financial expenses for the first quarter of the financial year amounted to 49,854 million Euros.

Almost all of the operations performed by MÁSMOVIL are in Euros, due to which the exchange rate risk is limited.

However, if the Company considered it adequate to expand its business to other economies with currencies other than the Euro, the Company would be subject to exchange rate variations for the mentioned currencies against the Euro.

In relation to inflation, it is necessary to point out that MÁSMOVIL has contracted services linked to inflation with some of its main suppliers, so that any variation in the inflation rate registered in Spain would cause an updating of the financial conditions derived from these contracts.

#### Negative working capital

The Group, on December 31, 2016 presented a negative working capital of 238.268 million Euros. With the company operations performed during the financial year and taking into consideration the peculiarities regarding the Group's business cash flows, it is not foreseen that during the 2017 financial year, treasury needs will exceed the current financing capacity.

In this regard, the Group's main line of activity is to provide telecommunications services to the residential segment, a business that is characterized by a small collection period, which combined with a supplier payment period of close to 40 days, allows to optimize the use of group resources operating with negative working capital, with the difference between accounts receivable and accounts payable on December 31, 2016 amounting to 196.009 million Euros. In the opinion of the Group's Directors, it is not foreseen that during the 2017 financial year, circumstances will take place that have a negative impact on the Group's current cash flow structure.

**The Company's consolidated financial statement as of December 31, 2016 has in its assets an amount of 377 million Euros under the line item of Goodwill out of a total of 737 million Euros in the intangible assets entry.**

The Company's consolidated financial statement as of December 31, 2016 has in its assets an amount of 377 million Euros under the line item of Goodwill out of a total of 737 million Euros in the intangible assets entry.

In its statement as of December 31, 2016, the Group had a goodwill for an amount of 377 million Euros, which represented 20.2% of total assets on that date. On the other hand, total intangible assets amounted to 737 million Euros, representing 39.5% of total assets on that date.

This goodwill, which mainly records the difference between the price paid by the different companies acquired by the Company and the amount of their own funds, could suffer depreciation in its annual assessment according to applicable regulation in effect.

According to the International Financial Reporting Standards approved by the European Union as per Regulation (EC) 1606/2002 of the European Parliament and Council of July 19, 2002 ("IFRS-EU"), the Company is required to amortize specific intangible assets during the asset's lifespan and must subject goodwills and intangible assets with indefinite lifespan to depreciation tests instead of amortization (see section 20 of the Registration document). Therefore, at least once a year, a depreciation test is carried out assessing if there has been a depreciation in the recorded value of the goodwill and indefinite lifespan of intangible assets. If it is established that the recorded value exceeds the fair value, a loss for depreciation is recorded in the profit and loss account.

The depreciation of a large portion of the goodwill and other intangible assets could have a negative effect on the operating profit/loss presented and on the equity reflected in the financial situation statement, which at the same time could have a negative effect on business, financial situation and operating profit/loss of the Company. MÁSMOVIL considered that there is no need to set aside a provision for the depreciation of goodwills and recorded intangible assets as of December 31, 2016.

In addition, it is necessary to mention that the Goodwill is recorded on the financial statement of the individual companies according to the criteria in effect in the General Accounting Plan, with amortization over ten (10) years. This fact represents an annual impact on the Profit and Loss Account of the individual companies, plus reducing their profits and therefore their ability to distribute dividends against financial year profits.

#### 1.1.6. Risk of not being able to apply the totality of the tax credit

On December 31, 2016 the Group had applicable negative tax bases pending compensation which amounted to the following:

Tax bases pending set-off (In thousand euros)	2016	2015	2014
<b>Year</b>			
1999	1.555	1.528	0
2000	1.160	1.160	0
2001	6.263	1.640	0
2002	161.766	1.172	0
2003	78.753	4.162	2.490
2004	60.386	1.337	1.065
2005	71.877	0	0
2006	386.108	2.946	2.946
2007	81.570	1.124	1.124
2008	140.087	10.704	10.108
2009	176.998	7.299	6.716
2010	98.623	2.541	2.763
2011	33.391	2.972	1.878
2012	5.748	2.340	1.612
2013	16.246	658	0
2014	5.306	5.740	0
2015	10.745	9.725	0
2016 (provisional)	62.940	0	0
<b>Tax bases pending set-off</b>	<b>1.399.522</b>	<b>57.048</b>	<b>30.702</b>

Xfera, a Group company, has an elevated amount of tax credits due to negative tax bases generated since its incorporation. Its recoverability is conditional on the generation of sufficient profits over the following financial years, in other words, compliance with the objectives established in the business plan.

In this regard, Xfera's (Yoigo) tax credits were assessed as of the date of the business combination in accordance with applicable tax regulations at the time and the individual business plan of the company before its entry to the Group. At the closing of the 2016 financial year, an analysis of their recoverability was performed, taking into consideration new applicable regulations as well as the new company business plan, which includes contractually-established costs savings, the launch of new business lines by Yoigo in the first quarter of 2017 and the business of leasing mobile networks to other Group companies. The projections created to examine the recovery of these activated tax credits is based on a period of eleven (11) years.

Following the analysis performed at the closing of the financial year (December 31, 2016), it has been concluded that there are no doubts surrounding the recoverability of the tax credits recorded in the Yoigo business combination, although the directors have decided not to record new tax credits until Yoigo has generated positive tax bases in a recurring manner.

Dependency on agreements with third parties, risk with the technological operators and those related with the high subcontracting of critical procedures

Even though it has its own infrastructure, MÁSMOVIL depends on the signing of strategic agreements with third parties, through which the company can offer a global and competitive service to the market. More specifically, MÁSMOVIL has agreement with Orange Espagne, S.A. regarding, among others, the provision of the National Wholesale Roaming Service as of October 7, 2016, as well as for the Mutualisation of Infrastructure of the FTTH network according to a contractual relationship last updated in October 2016; as well as an agreement with Telefónica Móviles de España, S.A. that regulates the terms and conditions of Mobile Service among Telefónica, Yoigo and Pepemobile, from December 12, 2016, which can have an effect on the efficiency of the global service provided by MÁSMOVIL.

In the event that agreements with third parties are not reached, since some of these aspects are regulated by the National Commission of Markets and Competition ("**CNMC**", see [www.cnmc.es](http://www.cnmc.es)), or in the event that said agreements are not signed under optimum conditions for the Company, MÁSMOVIL's business could suffer affecting its income, its operating profit/loss and the Company's cash flow generation.

In addition, an interruption in or reduction in the quality of services provided by the Orange and Telefónica (Movistar) networks, as well as any event that negatively affects the existing contracts with said operators or their renewal within the established time periods would have a negative effect on the Company's customers, which would affect MÁSMOVIL's income, its operating profit/loss and cash flow generation.

MÁSMOVIL also has agreements with Ericsson España, S.A.U. for the maintenance of the mobile network, with Huawei Technologies España, S.L. for the deployment of the FTTH network on February 10, 2017 and with ZTE España, S.L.U. for the supply and maintenance of equipment on February 24, 2017 whose compliance and execution may depend the adequate deployment of MÁSMOVIL'S FTTH network, otherwise, this deployment may be subject to delays.

For a more detailed description of these and other contracts, see section 22 of the Registration document.

Any problems related to these suppliers or the quality of the service provided to MÁSMOVIL through the use of their infrastructure, products and services could have a negative effect on the Company's business and its market image, thus affecting its income, operating profit/loss and resulting in the generation of negative cash flows.

Lastly, the Company is highly dependent on different suppliers in order to be able to execute its main operations and supply services and products (mainly the distribution channel, logistics, customer service, network operation and information systems, etc.). Interruptions or a decrease in the quality of the services or equipment supplied by MÁSMOVIL's main suppliers or the deterioration of its financial situation could negatively affect the Company's business, and as a consequence its income, operating profit/loss and cash flows.

Risk of some of the signed agreements

- Some of the agreements signed by some of the companies that comprise the Group may not be subject to current market conditions.
-

- Specifically, MÁSMOVIL has thought it fit to establish a provision of 57.497 million Euros since due to its consideration that the contract held by Xfera Móviles S.A. with a third party regarding the tower leasing is unfavourable for the company. This provision has been calculated as the difference between the annual cost of said contract, with a maturity date in 2030, up until its termination date, compared to the cost that a similar contract would incur under market conditions. This amounts to 57.497 million Euros.

#### Need for recurring investment

MÁSMOVIL, like the rest of companies in the sector, has the need to recurrently invest in order to develop, expand and maintain current network infrastructure. In the past financial years, the Company has performed a strategy intensive in corporate transactions, which has translated into an extraordinary policy for investment in fixed assets, particularly during the period of 2015 and 2016. The Group considers that the level of recurring investments, excluding extraordinary factors associated with the deployment of fibre-optics, mobile networks or customer migration, among others, could reach an annual volume of about 30 million Euros. In previous financial years, said investment was much greater (89 million Euros in 2016 and 121 million Euros in 2015 without taking into account the effect of business combinations) as a consequence of the Company's organic and inorganic. For more details on historical investment, see sections 5.2. and 9.2 of this Informational Prospectus.

Although the Company estimates that the annual recurring investment level is around 30 million Euros, it is necessary to point out, as is detailed in section 5.2.2 of the Registration document, that between 2017 and 2018, the company estimates an investment of around 94 million Euros, since it is undergoing the expansion of its fibre-optics network and mobile network.

A deviation in the aforementioned investments or losses could mean the loss of the Company's competitive position on the market, thus having a negative effect on its income, operating profit/loss, financial situation and cash flow generation.

#### Risk of income concentration in the country

Possible political destabilization in Spain could affect the sale of products and services of the Company, which is mainly focused on the domestic market (99.7% of the total revenue in the 2016 financial year). In the same way, part of success of MÁSMOVIL's business is largely dependent on its ability to detect and respond quickly and adequately to socio-demographic trends or consumption changes, etc. As a consequence, there is a risk that socio-demographic trends or consumption changes will cause the Group to be unable to adapt or react adequately to said changes in circumstances, which could affect the Group's business, profit/loss, prospects or economic, financial or equity situation negatively.

#### Risk in the execution of corporate transactions and the implementation of the strategy

MÁSMOVIL has partially based its growth strategy on the execution of different corporate manoeuvres over the past few years, with the period between 2014 and 2016 considered an especially intense period of time with the execution of over one dozen integration operations with regards to different complementary companies, among which it is necessary to point out the operations to integrate Yoigo and Pepephone. The Company does rule out basing its strategy on a combination that implies organic growth based on increased income through the incorporation into the Group of new customers that trust its capacity and the increased penetration of services and products sales within its current customer base, as well as a reduction in expenses as a result of the increased management and control of costs, as well as agreements with cooperating partners. This organic growth could be complemented by a strategy for integrating other synergic companies into the company that provide value to the MÁSMOVIL's shareholders. The extensive experience acquired as a part of the negotiation and

integration procedures recently experienced by MÁSMOVIL's managers could minimize this risk, although it is impossible to distort the possibility that some of the risks and contingencies attached to corporate transactions could materialize.

The Company strategy is based on maximizing the position and loyalty of customers, offering quality service at a competitive price that develops customers' loyalty to the Group. To do so, MÁSMOVIL has the infrastructure, agreements and competitive capacity necessary to occupy a prominent position on the domestic telecommunications market. Its offering to the residential and corporate market for fixed and mobile voice services as well as access services, for example, through its FTTH structure (*fibra to the home*) and the agreements it has signed with Orange and Telefónica, also allow it to base its strategy on offering a quality service at a competitive price. This strategy may be affected by issues related to the quality of the service provided due to an increase in costs or greater pressure from the competition, which might imply a reduction in the Company's current or future profit margins. Any of these facts could imply establishing numerous modifications in the Company's strategy in order to adapt it to new market requirements.

For the purpose of this Prospectus the MÁSMOVIL "**Group**" will be understood as all of its subsidiaries and the companies in which it holds shares as per article 42 of the Code of Commerce.

#### Technological risks

##### *1.1.1.1 Accidents that affect facilities, malfunctions in technological information systems and risks related to the unavailability of the network and systems infrastructure*

Despite the insurance policies taken out, if any of the company's facilities or infrastructure undergoes a significant accident or there is a malfunction in equipment or another unexpected event (i.e. an earthquake, fire or explosion, etc.), the elements that MÁSMOVIL uses most often in carrying out its business activities could be damaged. In addition, the resumption of product development could be affected by delays, inasmuch that it is necessary to procure the necessary authorization for the reconstruction of all or part of facilities and infrastructure.

MÁSMOVIL's activities are highly dependent on its infrastructure and information technology systems. If the Company suffers a structural malfunction or a cyber attack on one of its systems or networks that it is not possible to correct within a reasonable time period, it could experience important alterations that could modify the service volume offered to the market, its image and prestige in the eyes of third parties, compliance with applicable legislation, as well as its income, operating profit/loss and cash flows. In addition, under specific circumstances established by industry regulation, MÁSMOVIL could be forced to compensate the customers affected by the alterations or interruptions in the service.

##### *1.1.1.2 Quality of service*

The need to offer uninterrupted quality services to its customers could imply that any defect in the quality and recurrence of the services offered by the Company could affect its image on the market, negatively affecting its income, operating profit/loss and cash flows.

##### *1.1.1.3 Risks related to the maintenance and improvement of the network and information systems*

The maintenance and improvement of the network and information systems is critical in order to supply the adequate services and products to MÁSMOVIL's customers and to therefore obtain a high level of satisfaction. In cases in which said maintenance and improvement is not carried out continuously, the Company could lose customers to competitors which offer an improvement in services, negatively affecting its income, operating profit/loss and cash flows.

### Key staff

MÁSMOVIL has management staff that accumulates experience, knowledge and talent acquired over the years at MÁSMOVIL and other companies in the industry. These people are key for the Company's present and particularly for its future. Given that the relationship between the owners of MÁSMOVIL and these people is close and of confidence, it is obvious that any undesired departure by any of these people would represent an obstacle for the Group. This is why, for the purpose of ensuring the loyalty of key staff, MÁSMOVIL has established two long-term remuneration schemes for a group of MÁSMOVIL's managers based on changes in the price per share. These plans, which link a payment in Company shares (or in cash using the share value as a reference) to its profit/loss and the permanence of its beneficiaries at the Company, among other aspects, should serve as a motivational element to retain talent. See section 17.2 of the Registration document for additional information.

### Reputational risk

The different group brands that comprise MÁSMOVIL are important business assets, due to which any damage could negatively affect its business, income, operating profit/loss and cash flows.

## **1.2. Legal and regulatory risks**

### **Risk of changes in regulations and legislation**

The Company operates in a regulated sector. The telecommunications market in Spain is regulated by the National Commission on Markets and Competition (the "CNMC"), which is an organization the main goals of which are ex-ante and ex-post sector regulation to prevent unacceptable market and competition situations, guarantee the compliance with network interconnection conditions and resolve disputes between operators.

Any change in the current regulatory framework, and in particular changes in the regulatory established prices of the wholesale operators which supply MÁSMOVIL, as well as modifications to current regulations in effect or any decision adopted by the CNMC could change current market conditions and therefore represent a risk factor, for MÁSMOVIL as well as for the remainder of actors on the domestic telecommunications market. Therefore, business and financial performance could be affected negatively due to unfavourable changes in or interpretations of applicable laws, standards and regulations or by the proclamation of new laws, standards and regulations that are applicable to the Company or its business.

### Universal service level risk

The net cost of providing universal service must be annually approved by the CNMC based on the methodology established by it regarding the charging of costs as well as the attribution of income, including the non-monetary profits, and must be based on objective, transparent, non-discriminatory and proportional procedures and criteria.

Based on the General Telecommunications Law of 2014, operators with an invoicing exceeding 100 million Euros could be designated to finance the cost of universal service. The list of specific operators that are liable for financing the cost of universal service in 2014 is currently being processed. According to the new criteria, Xfera Móviles S.A. ("Yoigo") belonging to the Group could be appointed as an operator liable for financing said fund. This fact would have a negative impact on MÁSMOVIL's profit/loss and its operational cash flows in the future. Although the date on which the Yoigo case file will be decided upon is unknown, the Company has decided to set aside a provision for this item for an amount of 1.3 million Euros.

#### Risk associated with regulations protecting the collection of personal information

MÁSMOVIL's business processes and manages a large amount of personal information. These type of data is subject to multiple national and international regulations (data protection laws). The impossibility of complying with said regulations would represent a risk factor for MÁSMOVIL, which would have a negative impact on its profit/loss and operational cash flows.

#### Risks associated with litigation

The Company may see itself involved in commercial disputes as well as legal or arbitration proceedings with public or private entities. These types of proceedings that are associated with penalties or damages could negatively affect MÁSMOVIL's business if these are not managed diligently and efficiently. The Group has performed a risk assessment on each open proceedings instance and has not considered it necessary to set aside any provisions based on the estimated risk.

#### Possible tax risks

Tax risks that may be derived come from changes in tax law, basically due to the needs of governments to increase collection or delay the application of tax assets established in the current legislation. The telecommunications sector has been traditionally penalized from a tax standpoint, since it has been understood that it has been operating with high margins and profitability, so in addition to the taxes applied to any sector, it is subject to specific taxation.

An example of this type of risk is the fact that the Tax Agency opened, with respect to Xtra Telecom, S.A. ("Xtra") as successor of Xtra Telecom, S.L., a company acquired by the MÁSMOVIL Group in August 1 2014, a VAT inspection for the activity of said company corresponding partly to the wholesale business from May 2011 to December 2014, although the invoices consulted went as far as May 2014; in other words, this constitutes an activity prior to the acquisition of Xtra by MÁSMOVIL. Said inspection has resulted in the opening of diligences prior to the investigation and, although any implication of the abovementioned actions for Xtra, since they refer to a period prior to the acquisition of the business subject to inspection, would be covered by the declarations and warranties signed with the prior owner of the company subject to action under the purchase and sale contract, it is impossible to discard the need to perform specific legal actions to obtain full compensation for the damages that may be incurred by MÁSMOVIL. In addition, MÁSMOVIL considers that the abovementioned diligences would under no circumstance end up affecting, from other points of view, the current administrators or directors of the MÁSMOVIL Group, since they were not a part of Xtra on the dates affected by the investigated activity; however, reputational consequences that may affect its share price cannot be discarded.

On the other hand, it is necessary to point out that on June 9, 2011, the Company Xfera Móviles, S.A.U. became the successful bidder in three new broadband concessions on the 1800 MHz wavelength for the provision of mobile telephony services. Said concessions should liquidate the Tax on Property Transfers (TPT) in each and every one of the Autonomous Communities/Cities, since it is a tax assigned by the Central Government. The liquidation of the abovementioned TPT was carried out within the periods established and in accordance to the calculation criteria that Xfera considered adequate. However, 4 out of the 21 Autonomous Governments considered that the calculation criteria was incorrect and issued complementary liquidations, regarding which Xfera submitted a complaint and requested their suspension via the payment of the demanded amount or the presentation of guarantees. One of the complaints has been resolved in favour of Xfera and the other 3 are at different stages in their resolution. All liquidations that have not result in additional liquidations are prescribed and do not represent any risk. Xfera considers that the risk of an unfavourable decision is remote and has not set aside any provisions for this purpose.

In May 2014, the company Xfera Móviles, S.A.U. submitted a binding query to the Tax Authorities to confirm that an irreversible depreciation of an intangible asset generated in 2008

was tax deductible in 2013, since in 2013 the contract that originated said intangible asset had been terminated. The Tax Authorities came to the conclusion in their response that it is not a tax deductible expense in 2013 and that the tax declaration for income tax from 2008 to 2013 should be corrected to deduct the corresponding expense in each year. Regardless of the foregoing, Xfera, through its external advisors, has requested a personal interview with the Tax Authorities, since it considers that the subject matter of the query was not understood, and the Group is currently awaiting said interview.

In March 2017, the company Xfera Móviles, S.A.U. received three notifications of resolution with provisional liquidation from the Tax Authorities for an amount of 11.347 million Euros, for the Trade Income Tax quotas liquidated during the 2013, 2014 and 2015 financial years. Xfera has submitted an economic-administrative claim against the three notifications received and has requested the suspension of the debt providing the corresponding guarantees. The Company's external tax advisors consider it likely that the submitted remedies will be accepted and therefore that the liquidations will finally be declared void, due to which the Group has not set aside a provision.

To date, there are several government initiatives that are being disputed by operators: municipal fees on public domain use, the audiovisual sector promotion fee in Catalonia or the review of the calculation parameters for the tax on economic activities. Other initiatives along the same lines could be initiated in the future, having an impact on the Company's profit/loss and operational cash flows.

### **1.3. Risks derived from the sector of activity**

#### Competition and/or price pressure and changes in the telecommunications sector

The telecommunications market in Spain is a market dominated by traditional operators, in which in certain areas of the market, Grupo Telefónica can hold market shares exceeding 70% ([www.cnmc.es](http://www.cnmc.es)), due to which the competition in said areas is complex and occasionally uneven. However, the National Commission of Markets and Competition ("**CNMC**", see [www.cnmc.es](http://www.cnmc.es)) is in charge of regulating this relationship between operators and of supervising compliance with applicable regulations, favouring the existence of alternative operators that are able to aim for smaller shares of a very large market.

On the other hand, there is a possibility that traditional telecommunications operators, due to the drop in quota that they have suffered lately, will develop an expansion policy through their main or secondary brands based on a price war that will generally affect all market operators, although the current market trend is the opposite and MÁSMOVIL's business model has never been based on price but rather quality of the service and technological sufficiency at a competitive price.

It is also necessary to point out the greater financial capacity of some of MÁSMOVIL's main competitors in Spain. This greater financial capacity could be focused to erode the business of other competitors, among which MÁSMOVIL would be included, or to make investments in infrastructure or other assets that allowed to improve the competitive capacity on the market of some of the Company's traditional competitors.

The success of MÁSMOVIL's business model is based on the quality of the service and the products currently offered on the market, as well as the continuous renewal and updating of its offer based on the requirements and changes that take place in a highly competitive and permanently changing market. Any delay or absence in the introduction of an offering for products and services, at the least similar to that offered by the MÁSMOVIL's main competitors, could mean the loss of the Company's competitive market position and therefore a loss of its current market share, with the corresponding influence on its income, operating profit/loss and cash flows.

In addition, the Company is constantly undergoing analysis and research to develop services, products and rates that are appealing to the market. If these do not behave according to MÁSMOVIL's expectations, they could represent a loss of its competitive market position, as they have a direct impact on the Company's income, operating profit/loss and cash flows.

Ultimately, the Spanish telecommunications sector is highly competitive, due to which the consolidation of operators, the entry of new competitors or pressure on the prices of products and services could affect the Group's business.

#### Risk associated with disruptive technologies

Telecommunications technologies are characterized by their constant changes and quick evolution. The possible inability of the organization to anticipate and/or adapt to the disruptive technologies that may emerge could generate a loss of market competitiveness for the Company.

The development and appearance of new technologies that are capable of offering connectivity and voice solutions on the market similar to those currently offered by MÁSMOVIL could imply an obvious depreciation in MÁSMOVIL's business model through the loss of customers and therefore the loss of income that this would imply.

It is currently complex to predict the appearance of new solutions, at competitive prices, which are totally independent from current FTTH and xDSL infrastructure ("all types of digital subscriber lines") existing on the market.

MÁSMOVIL permanently works to detect and analyze new technologies and solutions complementary to those existing on the market, thus maintaining permanent supervision with respect to the technological innovations that may appear on the market on the global level.

#### Risk of limitations in the access of financing for customer terminals

MÁSMOVIL bases part of its customer acquisition and retention on the financing of terminals that several financial entities offer to the subscribers to the services offered by the Group. The cancellation and/or insufficiency of this financing for consumption could limit MÁSMOVIL's capacity for growth as well as cash flow generation to comply with the Company's financial obligations.

#### Risks associated with the changes in accounting standards

The telecommunications sector must comply with the accounting standards applicable in its geographic and industry environment. For these purposes, any change in accounting standards could significantly affect profit/loss, forecasts or the financial, economic or equity situation of the Group. In the next few years, accounting novelties are forecasted in the IFRS 15 (Income from contracts with customers, starting as of January 1, 2018) and IFRS 16 (Leasing, starting as of January 1, 2019) which will significantly affect the sector operators:

- IFRS 15: This regulation establishes a new model for the establishment of revenue derived from contracts with customers. This regulation comprehensively presents all requirements applicable and will replace current income reporting regulations, the OTI 18 (Ordinary taxable income) and OTI 11 (Construction contracts), as well as other related IFRIC interpretations. The key principle of the model is the compliance of all development obligations with respect to customers. The Group is currently in the state of analyzing the potential impacts that could be generated by the application of the standard, but considering that the telecommunications sector is the most affected sector, it is estimated that these impacts will be significant and will imply the early recording of income.

- IFRS 16: Leasing. The new leasing standard IFRS 16 replaces OTI 17, applicable to financial years starting as of January 1, 2019. According to the new requirements and subject to certain exceptions, lease holders must record, on the statement of accounts, the right to use the contract's subjacent asset which will be assessed for an amount equivalent to the current value of future payments, recording the counterpart in liability accounts. Analysis of the potential impact of the standard is still ongoing, based on obtaining the details of the lease agreement signed by the Group and analyzing of their main characteristics (amounts, renewal options, identification of the existence of control over specific assets). The main impacts of the new standard will be the recording of assets and liabilities derived from the use agreements with respect to the infrastructure of other operators and the leasing of the space to build Company infrastructure. There have been no changes regarding the situation reported by the Group in the December 31, 2016 annual accounts.

#### **1.4. Macroeconomic risks**

MÁSMOVIL's business may be affected by adverse economic conditions such as an increase in the unemployment rate or a reduction in per capita income, aspects that would reduce the real income available to potential consumers. Likewise, the business may be affected by situations of instability in international relations, the first effects of which are perceived in the volatility of financial variables. This would have a negative impact on the Group's profit/loss, forecasts or financial, economic or equity situation.

On the other hand, the Company is also exposed to risks associated to its geography, such as the meteorological risks or natural conditions of each country that, in the event that they occur, could negatively affect the profit/loss, forecasts or financial, economic or equity situation of the Group.

## **2. RISK FACTORS FOR THE SECURITIES OFFERED AND/OR ADMITTED TO LISTING**

### **2.1. Share price**

Securities markets present high volatility due to the current economic and political situation.

The situation of the Spanish and global securities market, as well as the occurrence of several types of factors that are out of the Company's control, could have a negative effect on the value of the share price, making it volatile. Factors such as the Company's operating profit and loss, changes in the recommendations of financial analysts regarding the Company or the global conditions of financial markets, securities or in the sector in which MÁSMOVIL operates, could have a negative effect on the price of the Company's shares, with this factor in turn having a negative effect on the Company's share price.

### **2.2. Share liquidity**

Without prejudice to MÁSMOVIL's shares being admitted to listing on the Alternative Investment Market, Companies under Expansion section (the "MAB-EE"), the Company requested the admission to trading of all its shares in the Madrid, Barcelona, Bilbao and Valencia Securities Exchange and expects these shares to be admitted to negotiation on July 14<sup>th</sup>, 2017, however, there are no guarantees regarding the contracting volume the shares would reach nor their respective liquidity, and it cannot be assured that they will develop and be maintained on an active negotiating market for the Company shares. Nonetheless, MÁSMOVIL has signed a liquidity contract with Santander Investment Bolsa, Sociedad de Valores, S.A.U. according to the contents of Circular 3/2007 of December 19 of the CNMV, regarding Liquidity Contracts for the purpose of its acceptance as a market practice ( "Circular 1/2007 of April 26<sup>th</sup>").

It is necessary to point out that if an active negotiation market is not developed for the shares, in other words, if a certain level of liquidity is not maintained, the investor could find it difficult to sell his/her shares and the sales price could be affected.

### **2.3. Sale of Company shares after admission to listing**

The sale of a substantial number of Company shares on the market after it is admitted to listing, or the perception on the market this will or could take place, could negatively affect the share's market price.

In any case, it is necessary to point out that since the shares have been quoted historically on the MAB-EE, if any shareholder wanted to sell its shares package, it would have already had mechanisms to do so through said market.

### **2.4. Dividends distribution**

As per section 20.7 of the Registration Document, MÁSMOVIL has no intention of distributing any dividends charged against the profit/loss for the 2017 or the 2018 financial year to its shareholders. However, its financial capacity to distribute dividends can be affected by any of the risks mentioned herein, as well as by changes in constraints reflected in the different financing agreements currently in effect.

The *agreements* that affect the free distribution of dividends by the Company, with respect to the multiple financing agreements currently in effect, are detailed below (this information is detailed in sections 10.1.2.1 and 10.1.2.4 of this Informational Prospectus):

Financial Instrument	Restrictions on dividend allocation
Syndicated Loan (nominal 356 million euros)	Dividends may only be distributed if Consolidated Senior Net Debt / EBITDA ratio is equal of below 2.75x.
Subordinated Debt (nominal 95.5 million euros)	Dividends may only be distributed if Consolidated Senior Net Debt / EBITDA ratio is equal of below 2.75x.
Masmóvil Ibercom Bond (Nominal 27 million euros)	Dividends may only be distributed if Consolidated Senior Net Debt / EBITDA ratio is equal of below 2.75x (ratio does not apply if payments come from the sale of companies or assets belonging to Masmóvil Ibercom S.A. Group and which are not owned by the Issuer). It must not be prior to the earlier of the following dates: (i) expiration of the guarantees of Xfera's minority shareholders, (ii) execution of all the guarantees of (i), or (iii) the date on which any Xfera's minority shareholder capitalises its debt.
Masmóvil Broadband Bond (nominal 68 million euros)	Dividends may only be distributed, from year 2019, provided that the Net Financial Debt/EBITDA ratio shall be equal or below 3.00x

The "guarantees of Xfera minority shareholders" which are referred to in the MÁSMOVIL bond agreement for 27 million Euros issued by the parent company refers to the guarantees issued in favour of the Note holders which were minority shareholders of Xfera. At this time, only the guarantees issued in favour of ACS Telefonía Móvil, S.L. are still in effect; these expire on October 5, 2018. In turn, it is this same company, ACS Telefonía Móvil, S.L., which is the only former minority shareholder of Xfera holder of current debt with respect to MÁSMOVIL (Note for 120 million Euros).

Dividends depend on profits and the company financial situation, its debt servicing obligations derived from the agreements acquired in financing contracts, cash requirements (including investments), regulatory requirements and other factors that MÁSMOVIL considers relevant at each given moment. Therefore, the Company's ability to distribute dividends cannot be guaranteed in the future: said ability may be limited and/or changes may take place in the dividends policy. If dividends are not paid in the future, capital gains on share as well be, as applicable, the only source of income for investors.

## **2.5. Dilution risk**

In the event of a capital stock increase with the exclusion of pre-emptive rights or in which existing shareholders decide not to acquire new ordinary shares, the issuing of new shares could dilute existing shareholders and could have a negative effect on the Company's share price on the market.

At the same time, in the future, the Company may recognize the right to issue debt instruments susceptible to be converted into ordinary shares in the company, either by decision of the General Shareholders' Meeting or by decision of the Board of Directors (in this last case, under the prior delegation of the General Shareholders' Meeting). In the event that the Company decides to issue this type of instrument in the future, potential conversion into the abovementioned type of ordinary Company shares could represent a dilution in the proportion of shares owned by the current shareholders.

As mentioned above, on October 4, 2016, the loan contract dated July 12, 2016 was notarized, via which MÁSMOVIL reached an agreement with the private capital company Providence Equity Partners L.L.C. through its subsidiary Providence, through which it committed to invest

between 165 million Euros and 200 million Euros in MÁSMOVIL through a long-term convertible. Said agreement resulted in the issuance of convertible bonds for a total amount of 165 million Euros which were fully subscribed by Providence, recording said issuing in the Commercial Registry of Guipúzcoa, dated September 28, 2016.

The conversion is voluntary and can only be executed after three (3) years and three (3) months subsequent to issuance.

Once that date arrives and in the event of complete conversion by Providence, the situation may arise that this shareholder would have a share of greater than 30% of MÁSMOVIL's share capital, with their being no other choice, according to the provisions of article 128 and the following articles ("Chapter IX – On Public Take-over Bids") of the Redrafted Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015 of October 23 than to initiate a TOB over 100% of the Company's share capital.

In addition, on June 20, 2016, a certain acknowledgment of debt, assumption of debt and capitalization undertaking agreements (*contrato de reconocimiento de deuda y compromiso de asunción de deuda y capitalización*) with ACS Telefonía Móvil, S.L. was notarized for a minimum amount of 120 million Euros, which may increase to 200 million Euros if specific conditions are met, in which the capitalization of the debt depends on the will of the creditor.

In summary, the corporate transactions performed by MÁSMOVIL over the past few years, and the acquisitions of Yoigo and Pepephone, have caused a change in the Group's financing structure.

Part of the incorporated financing has been carried out through financial instruments that contemplate the possibility of them being converted into MÁSMOVIL shares in their entirety.

Therefore, as detailed in this Informational Prospectus, MÁSMOVIL's financial statement as of March 31, 2017, includes three differentiated instruments regarding which, if the creditor decides to turn them into shares, the company would have to increase its capital stock by issuing a maximum of 13.603 million shares (according to the calculations possible as of the current date), which would mean that current shareholders could see their share of capital diluted by up to 40%. The following chart summarizes the operations that could result in the issuing of new shares.

Description	Max amount (€)	Share value (€)	Max No. of shares	Date
Providence* (Convertible debentures)	182.658.960	22,0	8.302.680	Between 23 December 2019 and 16 September 2024
Yoigo (Note)	120.000.000	25,0	4.800.000	25 euros until 5 October 2019. 40 euros until 5 October 2023
Director's Stock Option Plan	10.210.000	20,4	500.000	Before 31 May 2018
	312.868.960	23,0	13.602.680	

Capital Movements	Shares	Capital %
Current Capital	19.951.100	(a) 59,46%
New shares to be issued (maximum)	13.602.680	(b) 40,54%
Resulting capital amount	33.553.780	(a)+(b) 100,00%

\* The calculation considers the maximum possible conversion at 3 years and 3 months (nominal + 50% of interest)

On the other hand, there are operations that can represent a payment in shares, which would not necessarily consists of a new issuance and therefore would not be considered in the above chart. These operations refer to: i) the acquisition of the virtual mobile operator business unit of Llamaya, which could also lead to a dilution in the event that is necessary to pay "earn-outs" and it is decided to make said payment partially in shares (a maximum of 300,000 shares of MÁSMOVIL if the total earn-out is reached and MÁSMOVIL decides to carry out this payment in

company shares) at the discretion of MÁSMOVIL; ii) the acquisition of 100% of the share capital of the company Embou Nuevas Tecnologías, S.L, (175,000 MÁSMOVIL shares the details of which are provided in sections 9.2 and 21.1.4.

See sections 5.1.5 (Important events in the development of the Issuer's activity), 21.1.4 (Amount of the convertible value, exchangeable value, or value with *warrants*, indicating the conditions and procedure that govern the conversion, exchange or subscription) and 22 (Relevant contracts) of this Prospectus for a more details on the contracts mentioned in the current section.

## **2.6. Agreements between shareholders**

The Company has knowledge of the signing of a single agreement among the shareholders, signed on October 26, 2016, by Onchena, S.L.U., Key Wolf, S.L.U., Norsis Creaciones, S.L.U., Inveready Seed Capital, SCR, S.A., Mr. José Manuel Alsedo Solís, Asesoramiento y Planeamiento, S.L. and Inveready Capital Company, S.L., the purpose of which is the syndication of Company shares, with the purpose of voting the same way at Company Shareholders' Meetings, with respect to the agreements listed in the abovementioned agreement. The abovementioned agreement will remain in effect so long as the parties remain holders of the Company shares.

The abovementioned shareholders' agreement was promoted by Inveready Capital Company, S.L., Key Wolf, S.L.U. and Norsis Creaciones, S.L.U., which were already shareholders of the Company, with the participation in the MÁSMOVIL capital stock increase of July 2016 of the remaining signatories to the agreement. Through this syndication agreement, the parties intend to establish a common stance regarding decision making, to benefit the company and the protection of their investment. In this regard, the parties have decided that Inveready Capital Company, S.L., due to its profile as a professional investor and greater knowledge regarding the Company and the market, will inform the other parties of which way to vote. However, Inveready Capital Company, S.L. (or by default Key Wolf, S.L.U.) cannot impose the voting direction in the event of disagreement among the remaining members of the agreement. The following is the operation of the syndication agreement, in a nutshell:

- (i) Initially, the agreement members must vote in the direction communicated by Inveready Capital Company, S.L. If this company is unable to vote or does not indicate the direction of its vote, the remaining parties will vote in the direction communicated by Key Wolf, S.L.U.
- (ii) However, the shareholders that have signed the abovementioned agreement have the right to opposition, and do not have to vote in the direction communicated. In the event of a discrepancy, the parties must hold a meeting and try to reach a common ground. If said consensus is not reached, they will be free to vote however they so decide.

These shareholders control, whether directly or indirectly, 31.4% (6.27 million shares) of MÁSMOVIL's share capital on the date that this Informational Prospectus is issued.

In the event that the interests of these shareholders differ from the interests of the remaining Company shareholders, this could imply a risk for the later.

Regarding this, it is necessary to mention that not having received any declaration against this by the signatories of the agreement, the Company considers that there is no agreed upon action in said agreement.

**2.7. Currencies other than the Euro**

The shareholders of countries with currencies other than the Euro will have, regarding the holding of MÁSMOVIL shares, an additional investment risk connected to exchange rate differences. MÁSMOVIL shares will initially be listed only in Euros and any future dividend payment will be made in Euros. Therefore, any dividend paid by the company shares or received in relation to the sale of any MÁSMOVIL shares could be negatively affected by the fluctuation of the Euro versus other currencies.

**2.8. Shareholders of jurisdictions outside the EU may potentially be unable to exercise their acquisition or pre-emptive acquisition rights to acquire new shares**

Pursuant to the Spanish Companies Act, the holders of Company shares have the generic right to subscribe and/or acquire a sufficient number of shares to maintain their percentage share of share capital at the amount that they had before the issuance of the new shares. However, it is possible that holders of Company shares located in jurisdictions outside the European Union, with respect to the regulations applicable to said jurisdictions, may not be able to exercise their pre-emptive acquisition or subscription rights unless the requirements established in their respective regulations are met or some exemption case is applicable. The company can decide not to comply with said formalities and there is no guarantee that an exemption will be available. Accordingly, any shareholder affected in this regard may lose their subscription or pre-emptive acquisition rights, reducing their relative percentage share of Company capital. In particular, it may be possible that holders of Company shares residing in the United States of America may be unable to exercise or sell any subscription or pre-emptive acquisition in the future regarding Company shares unless an offer document is recorded according to the *United States Securities Act* of 1933 or an exemption from this recording is applicable and the shareholder decides to invoke it.

### III. SECURITIES NOTE

#### 1. PERSONS RESPONSIBLE

##### 1.1. Identification of the people responsible for the Securities Note

Mr. Meinrad Spenger, as Chief Executive Officer of MÁSMOVIL IBERCOM, S.A. (the “**Company**”, “**MÁSMOVIL**”, or the “**Issuer**”) and on behalf of it through the powers specifically bestowed upon him by the Board of Directors on May 22, 2017, regarding the exercise of the authorization granted by the Ordinary General Shareholders’ Meeting dated June 22, 2017 assumes the responsibility of the information contained in this securities note, the format of which is adjusted to that of Annex III, Regulation (EC) n° 809/2004 of the Commission of April 29, 2004 regarding the application of Directive 2003/71/CE of the European Parliament and Commission, in relation to the information contained in prospectuses, as well as the format, inclusion by reference, publication of said prospectuses and advertisement dissemination (the “**Securities Note**”).

The Securities note, which together with the Summary, Risk Factors and the Registration Document, as well as each of the documents defined in the respective sections, make up this informational prospectus (the “**Prospectus**”), has been prepared within the framework of the admission to trading request for Company shares at the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Integrated Spanish Stock Exchange (Mercado Continuo).

##### 1.2. Declaration of the people responsible for the Securities Note

Mr. Meinrad Spenger, on behalf of them representing MÁSMOVIL, declares that, after acting with reasonable diligence to guarantee the results, the information contained in the current Securities Note is, to the best of his knowledge, in line with the facts, and that it does not contain any omissions that may have an effect on its content.

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

**2. RISK FACTORS**

See Section II above, related to the Risk Factors of the securities subject to admission to trading.

### **3. KEY INFORMATION**

#### **3.1. Working capital declaration**

With the information available up to date, the Issuer considers that the working capital (understood as current assets) of MÁSMOVIL as of the date of this Securities Note and which it expects to generate over the next twelve (12) months, is sufficient to tend to its requirements during said period of time. As of March 31, 2017, current assets and liabilities amounted to 408.670 million Euros and 645.117 million Euros, respectively.

The Company will address the maturity of its short term debt as well as the investments committed with resources from (i) net assets as of March 31, 2017 (98 million Euros), (ii) the cash flow generated by the Group in the following months, (iii) confirming lines (with a top limit of 120 million Euros), (iv) lines of credit (available for an amount of 20 million Euros), and (v) Section E of the Syndicated Loan with an amount still available of 30 million Euros.

#### **3.2. Capitalization and indebtedness**

Below are the Issuer's main capitalization and indebtedness figures as of December 31, 2016 and May 31, 2017 (date not earlier than ninety (90) days prior to the registration date of this Prospectus).

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Capitalisation and indebtedness (In thousand euros)	31/05/2017	31/12/2016	Var. 16-17 (3m) %
<b>A. Current liabilities</b>	<b>665,227</b>	<b>675.605</b>	<b>-1,54%</b>
<b>Non-current liabilities</b>	<b>1.008,899</b>	<b>931.615</b>	<b>8,30%</b>
<b>C. Equity</b>	<b>213,904</b>	<b>255.605</b>	<b>-16,31%</b>
Capital Share	1.995,000	1.995	0,00%
Issuance Premium	246,652	246.652	0,00%
Accumulated profits and other reserves	-104,592	-62.645	66,96%
Treasury shares	-386	-375	2,93%
Other Equity instruments	70,131	70.022	0,16%
Currency translation differences	103	-44	-334,09%
<b>Total A+B+C</b>	<b>1.888,029</b>	<b>1.862.825</b>	<b>1,35%</b>
<b>D. Gross Financial Debt</b>	<b>999,017</b>	<b>936.516</b>	<b>6,67%</b>
Current gross financial debt	221,360	252.560	-12,35%
Debts with credit institutions	27,861	35.939	-22,48%
Other debts	556	939	-40,79%
Debts under finance lease	6,791	6.782	0,13%
Other financial liabilities	125,653	136.159	-7,72%
Financial derivative instruments	60,499	72.741	-16,83%
Non-current gross financial debt	777,657	683.956	13,70%
Debts with credit institutions	439,760	434.125	1,30%
Other debts	6,054	5.756	5,18%
Debts under finance lease	31,648	34.350	-7,87%
Other financial liabilities	242,931	181.998	33,48%
Financial derivative instruments	57,264	27.727	106,53%
<b>E. Other liabilities</b>	<b>675,108</b>	<b>670.704</b>	<b>0,66%</b>
<b>F. Cash and other equivalent liquid assets</b>	<b>-209,710</b>	<b>-236.079</b>	<b>-11,17%</b>
<b>G. Total net financial debt (D+F)</b>	<b>789,307</b>	<b>700.437</b>	<b>12,69%</b>
<b>H. Indebtedness (A+B)/C</b>	<b>7,83</b>	<b>6,29</b>	<b>24,47%</b>

For informational purposes, the stock market capitalization of MÁSMOVIL dated July 10, 2017 amounted to 1,139.2 million Euros.

### **3.3. Interests of the natural persons and companies participating in the issuance/bid**

The Company has no knowledge of the existence of any significant links or economic conflict interest between the Group and the entities listed in section 10.1 of this Securities Note, except the strictly professional relationship derived from legal, financial or accounting consulting.

For the purposes of this Prospectus, the “**Group**” will be understood as MÁSMOVIL and all of its subsidiaries and companies in which it holds shares as per the situation established in article 42 of the Code of Commerce.

### **3.4. Reasons for the bid and destination of revenues**

Since December 22, 2016, the capitalization of MÁSMOVIL-s shares that are currently listed on the Alternative Investment Market-Companies in Expansion Segment exceeds 500 million Euros. As a consequence, the following are applicable: (i) article 77.3 of Royal Legislative Decree 4/2015 of October 23, which approves the redrafted text of the Securities Market Act and (ii) the sixth section 1.2.(b) – Exclusion of negotiable securities – of Circular MAB 14/2016

of July 28, regarding requirements and procedures applicable to the incorporation and exclusion on the Alternative Investment Market of shares issued by expanding companies and investment companies listed on the real estate market, modified by Circular 20/2016 and 1/2017 from the MAB. Said regulation establishes that when the capitalization of shares being exclusively negotiated in a multilateral negotiation system exceeds 500 million Euros over a continuous period exceeding 6 months, the issuing entity must request admission to trading on a regulated market within a time period of 9 months.

Consequently, MÁSMOVIL's General Shareholders' Meeting dated June 22, 2017 adopted, among other agreements, a request for the exclusion from negotiation of the totality of its shares on the Alternative Investment Market – Companies in Expansion and the simultaneous official admission to trading on the Securities Markets of Madrid, Barcelona, Bilbao and Valencia, as well as the inclusion into the Integrated Spanish Stock Exchange (S.I.B.E. or Continuous Market) of all of the shares representing the share capital of the Company currently circulating.

On the other hand, MÁSMOVIL's Board of Directors, during the meeting held on June 30, 2017, agreed, exercising the authorization granted by the General Shareholders' Meeting dated June 22, 2017 mentioned above, to request the official admission to trading of the Company's shares mentioned in section I above.

**4. INFORMATION RELATED TO THE SECURITIES THAT ARE GOING TO BE BIDDED/ADMITTED TO LISTING**

**4.1. Description of the type and class of the securities bided and/or admitted to listing, with the ISIN Code (International Securities Identification Number for the security) or another security identification code**

The securities which are the subject of the admission to trading constitute the totality of the MÁSMOVIL ordinary shares, namely, 19,951,100 shares with a face value of 0.10 Euros each, all of the same class, represented by accounting entries, fully subscribed and paid, that grant their holders full political and economic rights.

The National Securities Numbering Agency, dependent on the Spanish stock exchange commission (the “CNMV”), has assigned ISIN code number ES0184696013 to the shares that comprise the share capital of MÁSMOVIL.

**4.2. Legislation according to which the securities were created**

The shares which are the subject of the admission to trading are and will be governed by the provisions of Spanish law and particularly the provisions of the Spanish Companies Act and the redrafted text of the Securities Market Act, approved by Royal Legislative Decree 4/2015 of October 23, (the “**Securities Market Act**”) and its respective regulations under development.

**4.3. Indicate if the securities are in registered or bearer form and if the securities are in title or book entry form. In this last case, name and address of the entity responsible for safekeeping the documents**

MÁSMOVIL’s shares are represented by book entries, recorded in the corresponding accounting records under the supervision of SOCIEDAD DE GESTIÓN DE LOS SISTEMAS DE REGISTRO, COMPENSACIÓN Y LIQUIDACIÓN DE VALORES, S.A. and the companies in which it holds shares (“**Iberclear**”, [www.iberclear.es](http://www.iberclear.es)), with registered address in Madrid, Plaza de la Lealtad 1, and the companies in which it would shares.

**4.4. Currency of the issuance of securities**

The shares are expressed in Euros.

**4.5. Description of the rights linked to the securities, including any limitation in those rights and procedures to exercise them**

This subsection has been drafted according to the provisions of internal Company By-laws, the redrafted text of which was approved by the General Shareholders’ Meeting on June 22, 2017 and recorded in the Commercial Registry on June 28, 2017 (the “**Bylaws**”).

The shares subject to admission to trading are ordinary shares which belong to the same class, because of which they provide the holders the same political and economic rights, which are listed in the Spanish Companies Act and the Company’s By-laws.

These shares are recorded in the name of the corresponding shareholders in the accounting records of Iberclear and the companies in which it holds shares.

Right to dividends

*4.5.1.1. Date or dates established for the application of rights*

Company shares grant the right to participate in the distribution of company profits and in the equity resulting from liquidation and, since they are all ordinary, do not grant the right to receive a minimum dividend. The abovementioned shares will provide the right to dividends, whether interim or other, when said distribution is agreed upon.

As of the date of the recording of this Prospectus, there are no active dividends charged to previous financial years as of January 1, 2017 for which payment is pending to Company shareholders.

*4.5.1.2. Period after which the right to dividends expires and note regarding the person in whose favour said expiration acts*

The expiry date for the right to collect dividends is five (5) years starting from the day established for the beginning of the collection (according to Code of Commerce article 947), with the Company as the beneficiary of the prescribed financial rights.

*4.5.1.3. Dividend restrictions and procedures for non-resident holders*

The Company has no evidence of the existence of any restriction on the collection of dividends by non-resident holders, who will receive their dividends in the same way as resident holders, through Iberclear and its subsidiary entities, without prejudice to possible retentions charged against non-resident income applicable (for more details, see section 4.11 and the following sections of the Securities Note), or any other retention of advance payment that can be established in the future by the corresponding legislative bodies of state and autonomous entities.

*4.5.1.4. Index of dividends or their calculation methods, frequency and accumulative or non-accumulative nature of the payments*

Given that they are all ordinary, the Company's shares do not grant the right to receive a minimum dividend. The right to dividends pertaining to the Company's shares will arise only when the General Shareholders' Meeting or, if applicable, the Board of Directors, agrees on a distribution of company profits.

Voting and attendance rights

The shares of the Company grant to the holders the right to attend and vote at the General Shareholders' Meeting and to dispute company agreements, according to the general established regime of the Spanish Companies Act and Company By-laws.

Regarding the right to attend General Shareholders' Meetings and in accordance with the provisions of Company By-laws and General Shareholders' Meeting regulations, the redrafted text of which was approved by the Company General Shareholders' Meeting dated June 22, 2017 (the "**General Meeting Regulation**"), all shareholders who are recorded as holders in the corresponding accounting entries at least five (5) days prior to when the meeting is going to be held will be entitled to attend the meeting, under the terms established as per legislation and/or statutes.

All shareholders with the right to attend can be represented at the General Shareholders' Meeting by another person, even when not a shareholder, complying with the requirements and formalities required by the Spanish Companies Act, the By-laws and the General Shareholders' Meeting Regulations.

Regarding the right to vote as per the Spanish Companies Act, each share of the Company entitles to one (1) vote, without there being a limitation on the maximum number of votes that can be placed by each shareholders or by the companies belonging to the same group, in the case of companies.

Pre-emptive subscription rights in offers for the subscription of securities of the same class

The Company's shares grant their bearers, under the terms established in the Spanish Companies Act, to pre-emptive subscription rights during capital share increases through the issuing of new shares charged to cash allotments, as well as the issuance of convertible bonds, all without the prejudice to the possibility of total or partial exclusion from the abovementioned pre-emptive subscription right, as per the Spanish Companies Act and Corporate By-laws.

Likewise, Company's shares grant the bearers the free right to transfer as acknowledged in the Spanish Companies Act in the event of a capital increase charged to reserves.

Right to a share of the Issuer's profits

The Company's shares grant the right to a share of the distribution of company revenues proportional to their face value, under the terms stipulated in above section 4.5.1.

Right to a share of any surplus due to liquidation

The Company's shares grant to holders the right to a share of the equity distribution resulting from the liquidation of the Company, under the provisions established in the Spanish Companies Act.

Amortization provisions

Not applicable.

Exchange or conversion provisions

Not applicable.

**4.6. In the event of new issuances, the declaration of the resolutions, authorizations and approvals via which the securities have been and/or will be created or issued**

Not applicable.

**4.7. In case of new issuances, foreseen date for issuing the securities**

Not applicable.

**4.8. Description of any restrictions on the transfer of the securities**

Not applicable.

**4.9. Notification of the existence of any mandatory take over bid and/or removal and mandatory reacquisition regulations regarding the securities**

There is no special regulation that regulates mandatory takeover bids for Company shares, except those derived from the regulation on public acquisition bids contained in the Securities Market Act with the modification introduced by Act 6/2007 of April 12 regarding the modification of public takeover bid regime as well as the transparency of issuers, through which Directive 2004/25/CE of the European Parliament and Commission of April 21 is transposed in Spain into Royal Decree 1066/2007 of July 27, regarding the regime of public acquisition bids. This regulation will affect the shares of the Company as soon as they are admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Securities Markets.

**4.10. Notification of public acquisition bids by third parties over the Issuer's capital that have taken place during the financial year prior to the current one. The price and conditions of the exchange of these bids and their results must be provided**

Not applicable.

**4.11. Information on the tax consequences derived from the acquisition, ownership and, as the case may be, transfer of the shares**

Below is a general description, according to Spanish law in effect (including its regulatory component) as of the date this Securities Note is approved, regarding the tax regulations applicable to the acquisition, ownership and, as the case may be, subsequent transfer of shares.

It is necessary to take into consideration that this analysis does not explain all the possible tax consequences of the abovementioned transactions, nor the regulations applicable to categories of investors, some of which (such as financial institutions, collective investment institutions, cooperatives or taxation authorities) may be subject to special regulations. Likewise, this description does not take into account the provincial tax systems regarding Economic Agreements and conventions in effect, respectively, in the Historic territories of the Basque Country and the Navarra Autonomous Community which, regarding some taxes, could be applicable to investors.

In particular, the regulation applicable pertains to Law 35/2006 of November 28 regarding Income Tax for Natural Persons and the partial modification of corporate tax laws, regarding Income tax on non-residents and on Equity ("LIRPF") and its regulations, approved via Royal Decree 439/2007, of March 30; the redrafted text of the Law on Income Tax for non Residents ("TRLIRnR"), approved by Royal Legislative Decree 5/2004 of March 5 and its regulations, approved by Royal Decree 1776/2004, of July 30; the Corporate Tax Act approved by Law 27/2014 of November 27 on Corporate Tax ("LIS"); and Royal Decree 634/2015 of July 10 which approved the Corporate Tax Regulations. All of the above is understood to be without prejudice to the changes that may take place in the future regarding applicable regulations.

Investors are advised to consult their attorneys or tax counsellors to establish the tax consequences applicable to their specific case. In the same manner, investors have to take into consideration the changes in applicable law that may take place in the future, as well as the interpretation of the content made by the Spanish tax authorities, which could differ from the interpretation provided below.

Indirect taxation of the acquisition or transfer of shares

The acquisition and, if applicable, the subsequent transfer of the shares is exempt from the Tax on Capital Transfers and Documented Legal Acts and Value Added Tax, under the terms of article 314 of the Securities Market Act and the corresponding laws regulating the abovementioned taxes.

Direct taxation derived from ownership and the subsequent transfer of shares

*4.11.1.1. Shareholders who are Spanish residents*

This section analyzes the tax treatment applicable to beneficiary shareholders who are tax residents of Spain who are considered to be the effect of beneficiaries of shares. In general, tax investors with residence in Spain will be considered, for these purposes, without prejudice to the provisions of Agreements to prevent Double Taxation (the "CDI") signed by our country, the entities residing in the Spanish territory according to article 8 of the LIS, and the natural persons that have regular residence in Spain, as defined in article 9.1 of the LIRPF, as well as those

residing abroad who are members of Spanish diplomatic missions, Spanish consulate offices and other official positions, under the terms of article 10.1 of the LIRPF (Individual Income tax on natural persons). Likewise, natural persons of Spanish nationality who are not tax residents of Spain, and who provide proof of their new residence in a tax haven, during the taxable period in which the change in residency takes place as well as the four (4) following tax periods, will be considered as investors residing in Spain for tax purposes.

In the case of natural persons who acquired their tax residence in Spain as a consequence of moving to the Spanish territory, they can opt to be taxed by the IRPF or the IRnR during the period in which the residence change takes place as well as the following five (5) tax periods as long as the requirements under article 93 of the LIRPF are met.

#### Natural persons

(a) Individual income tax on natural persons

(i) *Income from capital*

According to article 25 of the LIRPF, dividends, General Meeting attendance premiums, profit derived from the incorporation or cession of rights or responsibilities or usufruct of the shares and, in general, the participations in the Company revenue as well as any other utility received from said entity due to the condition of shareholder, among others, will also have the consideration of income from capital.

Income from capital obtained by the shareholders as a consequence of the property of shares will be integrated in the resulting net yield to be deducted, as the case may be, the administration expenses and deposit of its gross amount, but not the discretionary and individual management of the portfolio, in the applicable savings base of the financial year that can be required from its beneficiary, levied from the tax period of 2016 at a fixed rate of 19% (for the first 6 thousand Euros of savings income obtained by natural persons), 21% (for income between 6 thousand Euros and 50 thousand Euros) and 23% (for the income that exceeds 50 thousand Euros), without being able to apply any deduction to prevent double taxation.

On the other hand, the amount obtained as a consequence of the destruction of an issue premium for the shares admitted to trading in any of the securities regulated markets defined under Directive 2004/39/CE of the European parliament and Commission of April 21, will reduce, until its cancellation, the acquisition value of the affected securities and only the surplus that may result will be taxed as income from capital.

Likewise, starting on the 2016 tax period, the shareholders will support a retention, charged to IRPF, of 19% over the total amount of distribution income. The withholding tax will be deductible from the net quota of deferred tax and, if this was not sufficient, it will cause the refund scheduled under article 103 of LIRPF. As an exception the withholdings over the distribution of the issue premium are not applicable.

(ii) *Equity profit and loss*

The variations of equity value of the contributors by IRPF that are declared due to any modification of said equity will cause equity profit and loss that, in the case of pecuniary transfers of the shares, will be quantified by the negative or positive difference, respectively, between the acquisition value of these securities and their transfer value, which will be established (i) by their list value on the date in which the transfer takes place; or (ii) by the agreed upon price when it exceeds said listed value.

When there are homogeneous securities, in order to determine the acquisition value, it will be considered that those transferred are those acquired in the first place.

The acquisition as well as the transfer value will be increased or reduced, respectively, by the expenses and taxes inherent to said transactions that have been paid by the acquirer or the transferor respectively.

The equity profit or losses that are declared as a consequence of the transfer of shares will be integrated in their respective taxable bases of the financial year in which the equity modification takes place, being taxed starting the 2016 tax period at a rate of 19% for the first 6 thousand Euros of savings income obtained by the natural persons, 21% for income between 6 thousand Euros and 50 thousand Euros and 23% for the income that exceeds 50 thousand Euros.

The capital gains derived from the transfer of shares are not subject to retention by IRPF.

Specific losses derived from transfers of shares will not be calculated as loss of equity when homogeneous equities have been acquired within the two (2) months before or after the date of transfer that originated said loss. In these cases, the equity losses would be integrated as the securities still remaining in the equity of the contributor are transferred.

*(iii) Pre-emptive subscription rights*

Until December 31, 2016, the amount obtained by the sale of the pre-emptive subscription rights over the share will reduce the acquisition cost of the shares for the future transfers that are performed, until said cost is reduced to zero. The amounts received in surplus over the acquisition cost will be considered as equity profits of the financial year in which the transfer of rights has taken place, not being subject to retention by IRPF.

Starting January 1, 2017, the amount obtained from the sale of the pre-emptive subscription rights over the shares will be considered as a capital gain for the transferor in the tax period in which the transfer takes place, being subject to retention on account of IRPF.

In any of these two cases, these capital gains will be taxed starting on the 2016 tax period, at 19% for the first 6 thousand Euros of the savings income obtained by the natural person, 21% for income between 6 thousand Euros and 50 thousand Euros) and 23% for the income that exceeds 50 thousand Euros.

*(b) Tax on wealth*

The shareholders natural persons residing in the Spanish territory, according to the provisions of article 9 of the IRPF Act, are subject to Tax on Wealth, in the tax period of 2016, by the entirety of the net equity they are holders of on December 31, regardless of where the goods are located or the rights are able to be exercised.

Taxation will be required according to the provisions of Act 19/1991, of June 6, of the Tax on Wealth ("ToW") that, for these purposes, establishes a minimum exemption of 700 000 Euros, according to the levy scale which marginal rates vary between 0.2% and 2.5%, all without prejudice of the specific regulation approved, as the case may be, by each Autonomic Autonomy.

Those natural persons resident for tax purposes that acquire shares and that are required to submit the ToW declaration, they must declare the shares they own on December 31 of each year, which will be calculated according to the average negotiation value of the last quarter of said year. The Ministry of Finance and Public Administrations annually publishes the mentioned average negotiation value regarding said tax.

According to the provisions of the second article of Royal Decree Law 13/2011, of September 16, which establishes the Tax on Wealth, modified with validity of January 1, 2017 by article 4 of Royal Decree Law 13/2011, starting January 1, 2018, it is scheduled that the quota of this tax is credited at 100%, not existing any obligation to provide a self assessment nor present any

declaration. In any case, it is necessary to point out that the application of this crediting has been subsequently postponed in the 2015, 2016 and 2017 financial years.

(c) Inheritance tax

The transfers of shares for payment or gain (due to death or donation) in favour of natural persons with residence in Spain are subject to the Inheritance Tax (the "IT") under the terms stipulated in Act 29/1987, of December 18, with the acquirer of the securities as taxable person and without prejudice of the specific approved regulation, as the case may be, by each Autonomous Community. If there is no autonomous regulation, the applicable tax rate over the net base varies between 7.65% and 34%; once the total quota has been obtained, specific multiplying ratios are applied over it regarding the pre-existing equity of the contributor and the degree of kinship with the deceased or donor, with the final result of a type of levy between 7.65% and 81.6% over the tax base.

Legal Entities

(a) Corporate Tax

(i) *Dividends*

The taxable person of the Corporate tax (the "IT") or those, who being contributors by the Non residents Income tax (the "IRnR"), act in Spain through a permanent establishment, will generally integrated in their tax the total amount of dividends or participations in profits received as a consequence of the ownership of the subscribed securities, as well as the expenses inherent to the participation, as stipulated under article 10 and following ones of the LIS, taxed, in general, at the type of levy of the 2016 tax period and following ones of 25%. In cases of issue premium distribution, the amount received by the taxable person of the IS will be reduced, until it cancels, the tax value of the affected securities and only the excess over that value will be integrated in its tax base.

Regardless of the foregoing and in general, the dividends or participations in revenue of entities are exempt as long as the participation percentage, directly or indirectly, in the capital or the entity own funds are of at least 5% or the acquisition value of the participation exceeds 20 million Euros. In order for the exemption to be applicable, said corresponding participation must be owned uninterruptedly during the previous year to the day in which the distributed revenue can be required or, by default, it must be owned afterwards during the necessary time to complete said period.

In the case under which MÁSMOVIL obtains dividends, participations in revenue or revenue derived from the transfer of securities representing the capital or the equity of the entities in more than 70% of its income, the application of this exemption is conditioned to the compliance of complex requirements, that basically require the bearer of the shares to have an indirect participation in those entities of at least 5% of the share capital. Investors are advised to consult their attorneys or tax counsellors to establish the compliance of the requirements of this exemption for their specific case.

Likewise, starting on the 2016 tax period, the taxable person of the IS will support a retention in dividends, on account of the abovementioned tax of 19% about the complete mount of the distributed revenue, except when any of the exemptions for retention scheduled in the valid applicable regulations, in which case no retention will be practiced. The practiced retention will be deductible form the IS quota and if said quota is insufficient, the refunds stipulated in article 127 of the LIS will take place.

(ii) *Revenue derived from the transfer of shares*

The profit or loss derived from the pecuniary or profitable transfer of shares, or any other equity modification of said shares, will be integrated in the taxable base of the IS taxable person, or contributors by the IRnR that act, for these purposes, through a permanent establishment in Spain, according to the manner scheduled in article 10 and following of the LIS, taxed generally at the tax rate of 25%.

The income generated from the transfer of the shares will not be subject to retention.

- Exemption of specific positive income obtained in the transfer of shares.
- Generally exempt from the IS taxation the positive income obtained in the transfer of a share in an entity as long as the participation percentage, directly or indirectly, in the capital or the entity own funds are of at least 5% or the acquisition value of the participation exceeds 20 million Euros. In order for the exemption to be applicable, said corresponding participation must be owned uninterruptedly during the previous year to the day in which the distributed revenue can be required or, by default, it must be owned afterwards during the necessary time to complete said period.
- In the case under which MÁSMOVIL obtains dividends, participations in revenue or revenue derived from the transfer of securities representing the capital or the equity of the entities in more than 70% of its income, the application of this exemption is conditioned to the compliance of complex requirements, that basically require the bearer of the shares to have an indirect participation in those entities of at least 5% of the share capital. Investors are advised to consult their attorneys or tax counsellors to establish the compliance of the requirements of this exemption for their specific case
- Non deductibility of specific losses obtained in the transfer of shares.

With the approval and application of Royal Decree-Law 3/2016, of December 2, by which measures in the tax scope addressed to the consolidation of public finances and other urgent measures in social matters, a series of modifications in the deductibility of losses are, as well as the reduction in the values of shares that are integrated in the profit and loss account of entities with effect for the tax periods that start from January 1, 2017 on.

In this regard, according to the new drafting of article 21.6 of the LIS, they will not be integrated in the tax base the negative income derived from the transfer of the participation of an entity regarding which the requirements to apply the exemption of dividends and surpluses of article 21.1 and 21.3 abovementioned are complied with (i.e. participation percentage of at least 5% of the acquisition value exceeding 20 million Euros and ownership exceeding one (1) year).

For this purpose, the participation percentage requirement or acquisition value will be considered as complied with when it is reached some time during the previous year to which the transfer takes place. Investors are advised to consult their tax attorneys or counsellors to establish the compliance of the requirements that determine the non liability of the losses derived from the transfer of shares for their specific case.

(b) Tax on Wealth

The IS taxable person is not an IP taxable person.

(c) Inheritance tax

The IS taxable person is not an ISD taxable person and the income obtained at a lucrative title will be levied according to the IS standards.

#### 4.11.1.2. Shareholders non residents in the Spanish territory

This section analyzes the applicable tax treatment to the shareholders non-resident in the Spanish territory that have the condition of shares beneficial owners, excluding those who act in the Spanish territory through a permanent establishment, which tax system has been described together with the taxable person shareholders of the IS.

Non-resident shareholders will be the natural persons that are not contributors by IRPF and the non-resident entities in the Spanish territory according to the provisions of article 6 of the TRLIRnR, without prejudice of article 46 of the TRLIRnR.

The system described below is a generalization, due to which the characteristics of each shareholders as well as those resulting from the CDI held in third countries and Spain must be taken into consideration.

(a) Non-residents Income tax

(i) *Movable capital yield*

The dividends and other yield derived from the participations of the own funds of an entity, obtained by natural persons or entities non-resident in Spain that act for these purposes without a permanent establishment in said territory, they will be subject to taxation by the IRnR starting on the tax period of 2016 and the following ones at the general taxation rate of 19%. On the other hand, the amount obtained as a consequence of the distribution of the shares issue premium admitted to trade in any of the regulated securities markets defined under the Directive 2004/39/CE of the European parliament and Commission of April 21, will reduce, until its cancelation, the acquisition value of affected securities and only the surplus that may arise will be subject to taxation by the IRnR as movable capital yield.

However, the profits distributed by the subsidiary companies resident in the Spanish territory to their parent companies residing in other Member States of the European Union ("EU") or those with permanent establishments in these last ones located in other member states will be exempt, when the following requirements concur:

- That both companies are subject and not exempt to one of the taxes that levy the profits of legal entities in the EU members states mentioned under article 2.c) of Directive 2011/96/EU of the Commission, June 30, related to the system applicable to parent companies and subsidiaries of different Member States and the permanent establishments are subject and not exempt to the imposition of the State in which they are located.
- That the distribution of profits is not the consequence of the liquidation of a subsidiary company.
- That both companies structure any of the forms established under Appendix of Directive 2011/96/EU of the Commission of June 30, related to the system applicable to parent companies and subsidiaries of different Member States, modified by Directive 2014/867EU of the Commission, of July 8.

The entity that owns in the capital of another company a direct or indirect share of, at least 5%, or where the share acquisition value is greater than 20 million Euros will be considered as a parent company. This last one will have the consideration of a subsidiary company. The mentioned share must have been owned uninterruptedly during the year prior to the day in which the revenue that is distributed is required or, by default, to be maintained during the time that is necessary to complete one (1) year.

Said exemption will also apply to the profits distributed by subsidiary companies residing in the Spanish territory to their parent companies residing in Member States within the European Economic Area or to the permanent establishments of the latter located in other Member States, so long as the specific requirements established in the LIRnR are met.

The abovementioned exemption will not be applicable if the dividend is obtained through a territory categorized as a tax haven. It will also not be applicable when the majority of the votes of the parent company are owned, whether directly or indirectly, by natural persons or companies not residing in the Member States of the EU or the states comprising the European Economic Area with which there is a real exchange of information regarding tax matters, according to section 4 of the first additional provision of Law 36/2006 of November 29 regarding measures to combat tax fraud, except when the incorporation and operation of the abovementioned aspects is based on valid economic motives and substantial entrepreneurial reasons.

In general, starting as of the 2016 financial year, the Company will carry out a retention on behalf of the IRnR of 19%.

However, when a CDI signed by Spain or an internal exemption is applicable to the residence for tax purposes of the beneficiary, the reduced taxation rate established in the CDI for these types of tax or exemptions will be applied, as applicable, following proof of the tax residence of the shareholder in the manner established in applicable regulations. There is currently a special procedure in effect for these purposes, approved by the Order of the Ministry of Economy and Finance of April 13, 2000, to apply retentions to non-resident shareholders, at the rate applicable in each case, or to exclude the retention, when financial entities with a registered address or which reside in or are represented in Spain and which act as trustee or manage the collection of the income on said securities are involved in the payment process.

According to this regulation, at the time of the distribution of the dividend, the Company will make a retention on the complete amount of the dividend at a rate of 19% starting as of the 2016 financial year and will transfer the net amount to trustee institutions. The trustee institutions that, at the same time, can prove, in the established manner, the right to apply the reduced rate or their customers' exclusion from retentions (to do so, these customers will have to provide the trustee institutions with, before the tenth (10) day of the month following the distribution of the dividend, a certificate of tax residence issued by the corresponding tax authority corresponding to his/her country of residence in which, if applicable, it must specifically state that the investor is a resident in the way defined within the applicable CDI ; or, in those cases in which a limitation in taxation is established in an applicable CDI established by an Order that establishes the use of a specific form, the abovementioned form instead if the certificate) will immediately receive, for their payment, the excess amount withheld. The abovementioned certificate of residence has in general, for these purposes, a validity of one (1) year from its issuance.

When an exemption is applicable or when due to the application of any CDI, the type of retention is inferior to that stipulated by law and the shareholder is unable to provide proof of his/her residence for tax purposes within the established time period, said shareholder will be able to request, from the Public Treasury, a refund of the excess retention subject to the procedure and the declaration form established in Order EHA/3316/2010 of December 17. Shareholders are advised to consult their attorneys regarding the procedure to follow in each case in order to request said refund from the Spanish Public Treasury.

In any event, once the retention for IRnR has been carried out or the origin of the exemption has been acknowledged, non-resident shareholders will not be required to present a declaration in Spain under the IRnR.

Shareholders are advised to consult their attorneys regarding the procedure to follow in each case in order to request said refund from the Spanish Public Treasury.

(b) Equity profits and losses

According to the TRLIRnR, the capital gains obtained by non-resident natural persons or companies without the intermediary of a permanent establishment in Spain for the transfer of the shares or any other capital gains related to said securities will be subject to taxation by the IRnR and will be assessed, in general, according to the regulations established in the LIRPF. In particular, the capital gains derived from the transfer of shares will be taxed by the IRnR at the rate of 19% starting as of the 2016 financial year, except when an internal exemption is applicable or a CDI is signed by Spain, in which case the provisions of said CDI will be applicable.

In this regard, the following capital gains will be exempt through the application of domestic Spanish law:

- Those derived from the transfer of shares on official secondary securities markets for Spanish securities, obtained, without using the intermediary of a permanent establishment in Spain, by natural person or companies which are residents of a State that has signed a CDI with Spain with an information exchange clause, as long as they have not been obtained through countries or territories classified as tax havens as per regulations.
- Those derived from the transmission of the shares obtained, without using the intermediary of a permanent establishment in Spain, by natural persons or companies with residence for tax purposes in other EU Member States or by the permanent establishments of said residents located in another Member State of the EU, as long as they have not been obtained through countries or territories classified as tax havens as per regulations or through a permanent establishment located outside the EU. The exemption does not cover capital gains derived from the transfer of shares or rights of a resident entity when (i) the assets of said entity are mainly comprised, whether directly or indirectly, of fixed assets located in the Spanish territory; or (ii) in case that the transferor is a non-resident natural person which at some point during the twelve (12) months before the transfer has held, whether directly or indirectly, a minimum 25% share of the capital or equity of the company; and (iii) in the case of several transferors that are non-resident entities, that the transfer does not comply with the requirements for the application of the exemption established in article 21 of the LIS.

The equity profit or loss will be calculated and subject to taxation separately for each transfer. In the event of several transfers with results of different types, compensation for profits or losses is not possible. Its assessment will be made applying the regulations of article 24 of the TRLIRnR.

Until December 31, 2016, the amount obtained from the sale of pre-emptive subscription rights over the shares will reduce the acquisition cost of the shares from to which these rights pertain for the application of future transfers, until said cost is reduced to zero. The amounts received in excess of the cost of acquisition are considered capital gains for the financial year in which the transfer of the rights has taken place.

Starting as of January 1, 2017, the amount obtained from the sale of pre-emptive subscription rights over the shares will be considered capital gains for the transferor during the tax period in which the transfer takes place.

According to the provisions of the TRLIRnR, the capital gains obtained by non-residents without the intermediary of a permanent establishment will not be subject to retention or payments on behalf of the IRnR.

Non-resident shareholders will be required to present a declaration, establishing and submitting, as applicable, the corresponding tax debt. His/her tax representative in Spain can also carry out

the declaration and deposit as well as the trustee or manager of the shares, subject to the procedure and declaration models established in Order EHA/3316/2010 of December 17.

If an exemption is applicable, either according to the Spanish Law or a DCI, the non-resident investor will have to provide proof of his/her right via providing a tax residence certificate issued by the corresponding tax authority of his/her country of residence (which, in this case, must specifically state that the investor is a resident of said country in the sense defined under the applicable CDI) or the form stipulated in the Order that establishes the applicable CDI. In general, said certificate of residence has, for these purposes, a validity of one (1) year from the date of its issuance.

(c) Tax on Wealth

Without prejudice to the provisions of CDI signed by Spain, natural persons who are not regular residents of Spain according to article 9 of the LIRPF and who are the owners, as of December 31 of each of the abovementioned years, of goods located in the Spanish territory or rights that can be exercised or have to be complied with therein, are subject to the IP. These goods or rights will be taxed by the IP, although the person subject to the tax can carry out the corresponding deduction to the minimum exemption of 700.00 Euros, applying the general taxation scale, the marginal rates of which vary between 0.2% and 2.5% for the year 2015.

The Spanish authorities consider that the shares of a Spanish company must be considered goods located in Spain for tax purposes under all circumstances.

In the event that they are taxed via the IP, the shares owned by non-resident natural persons and that are admitted to trading on an official secondary securities market will be assessed at the average negotiation value during the fourth quarter of each year. The Ministry of Finance and Public Administrations annually publishes the mentioned average negotiation value regarding said tax.

According to the provisions of section 2 of the single article of Royal Decree-Law 13/2011, starting as of January 1, 2018, it is foreseen that the amount of this tax will be subsidized at 100%, with no obligation to self-liquidate nor present any declaration. In any case, it must be highlighted that the application of this subsidy has been subsequently postponed in the 2015, 2016 and 2017 financial years.

Natural persons who are residents of a Member State of the EU or the European Economic Area will be entitled to the application of the regulations approved by the Autonomous Community where the greatest value of the goods and rights they hold and for which tax is payable is found, because they are located, can be exercised or have to take place in the Spanish territory. Investors are advised to consult their tax attorneys or financial advisors.

Entities not residing in Spain (regardless of whether they operate within the abovementioned territory through a permanent establishment) are not subject to this tax.

(d) Inheritance tax

Without prejudice to the provisions of the CDI signed by Spain, the acquisitions pertaining to the income of natural persons who are non-residents of Spain and regardless of the residency of the transferor will be subject to the ISD when the acquisition is regarding goods located in the Spanish territory or rights that can be exercised or need to be complied with in said territory. The Spanish tax authorities consider that the shares of a Spanish company are considered goods located in Spain for tax purposes under all circumstances.

In the event of the acquisition of goods and rights by inheritance, legacies or any other succession of ownership, as long as the deceased was a resident of a Member State of the EU or the European Economic Area other than Spain, the contributors will have the right to apply

***Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.***

the specific regulation approved by the Autonomous Community, in general, where the greatest value of the estate is found. Investors are advised to confer with their tax attorneys or financial advisers.

In the same way, in the acquisition of personal property by donation or any other free legal or intervivos transaction, non-resident contributors residing in a Member Estate of the EU or the European Economic Area will be entitled to the application of the regulation approved by the Autonomous Community where the abovementioned goods were located for the greatest number of days during the immediately preceding period of five (5) years, from date to date, which ends on the day before the accrual of the tax. Investors are advised to consult their tax attorneys or financial advisers.

Entities which are non-residents of Spain (regardless of whether they operate or not in the abovementioned territory via a permanent establishment) are not subject to this tax and the revenue they obtain as profitable transfers will be taxed as capital gains according to the abovementioned IRnR regulations, without prejudice to the provisions of the CDI that may be applicable.

Non-resident shareholders are advised to consult their tax attorneys or financial advisers regarding the terms under which the ISD will be applied in each specific case.

## **5. ARTICLES AND CONDITIONS OF ADMISSION TO TRADING**

### **5.1. Conditions, offer statistics, foreseen schedule and procedure for admission to trading**

#### Conditions to which admission to trading is subject

The admission to trading of the shares is not subject to any type of condition.

The Company's General Ordinary Shareholders' Meeting agreed, on June 22, 2017, to request the exclusion from negotiation of all shares representing the share capital of the Company MAB-EE and the simultaneous official admission to trading on the Madrid, Barcelona, Bilbao and Valencia Securities Exchanges, as well as inclusion in the Integrated Spanish Stock Exchange, with all shares representing the share capital of MÁSMOVIL thus excluded.

After the adoption of the abovementioned agreement, The Company, on the date of June 26, 2017, submitted an exclusion request document regarding all MAB-EE shares. Likewise, on this date, MAB's Board of Directors will adopt the abovementioned exclusion of securities and, subsequently, the Board of Directors of Exchanges and Markets will agree on the simultaneous admission of the above shares to the Integrated Spanish Stock Exchange, so that the shares of the Company are admitted to trading on the continuous market, which is scheduled to take place on July 14, 2017.

#### Total amount admitted

The total nominal capital of MÁSMOVIL for which admission is requested for listing amounts to 1,995,110 Euros and is comprised of 19,951,100 shares with a face value of 0.10 Euros each, belonging to a single class and series and that grants the same rights and obligations to its shareholders.

#### Period, including any possible modification, during which the offer will be open and description of the request procedure

Not applicable.

#### Indication of when and under which circumstances the admission to trading of the Company's shares can be revoked or suspended and if this revoking can take place once negotiation has been started

No cause for discontinuance or revoking of the admission to trading of MÁSMOVIL's shares subject to this Prospectus is foreseen, aside from that which may be derived from the application of the Law or compliance with a judicial or administrative order.

#### Description of the possibility of reducing subscriptions and way to return the residual amount of the amount paid by applicants

Not applicable.

#### Details of the minimum and/or maximum amount of the request (either by number of securities or total amount of the investment)

Not applicable.

Indication of the period during which requests can be withdrawn, as long as said withdrawal is allowed of investors

Not applicable.

Method and time periods for the payment of securities and for their handover

Not applicable.

Complete description of the way and date when offer results are to be made public

Not applicable.

Procedure for exercising any pre-emptive rights, negotiation of subscription rights and the processing of subscription rights not exercised

Not applicable.

## **5.2. Placement and allotment plan**

The different categories of possible investors to which the securities are offered. If the offer is being made simultaneously on the markets of two or more countries or if a section has been or will be reserved for specific countries, specify the section

The General Shareholders' Meeting and the Board of Directors of the Company, in their meetings held on June 22, 2017 and May 22, 2017, respectively, agreed to request the admission to trading of all MÁSMOVIL's shares on the Madrid, Barcelona, Bilbao and Valencia Securities Exchanges, as well as their inclusion in the Spanish Integrated Spanish Stock Exchange.

MÁSMOVIL's total capital for which admission to listing is requested amounts to 1,995,110 Euros and is comprised of 19,951,100 shares with a face value of 0.10 Euros each, belonging to a single class and series and which grant the same rights and obligations to shareholders.

To the extent of the Issuer's knowledge, indicate if the main shareholders or the members of the Issuer's administrative, management and supervision bodies intend to subscribe the offer, or if any person has the intention of subscribing more than 5% of the offer

Not applicable.

Preliminary information about the allotment

*5.2.1.1. Division of the offer into sections, including the institutional, retail and employee sections of the Issuer as well as other sections*

Not applicable.

*5.2.1.2. Conditions under which sections can be reassigned, the maximum volume of said reassignment and, as applicable, the minimum percentage destined for each section*

Not applicable.

*5.2.1.3. Assignment method or methods that must be used for the retail section and the Issuer's employees section in the event that the subscriptions of these sections are exceeded*

Not applicable.

5.2.1.4. *Description of any default preferential treatment granted to specific classes of investors or related groups (including programs for friends and family) in the assignment, the percentage of the offer reserved for said preferential treatment and the criteria for the inclusion of said classes or groups*

Not applicable.

5.2.1.5. *If the treatment of the subscriptions or subscription offers in the assignment depends on the company that makes them or the company through which they are made*

Not applicable.

5.2.1.6. *Minimum amount of the allotment, as applicable, in the retail sector*

Not applicable.

5.2.1.7. *Conditions for closing the offering as well as the earliest date in which the offering can be closed*

Not applicable.

5.2.1.8. *If multiple subscriptions are admitted, in the event that they are not admitted, how are multiple subscriptions managed*

Not applicable.

Procedure to notify requestors of the assigned amount and indication if negotiations can begin before negotiations have been carried out

Not applicable.

Over-allotment and "green shoe"

5.2.1.9. *Existence and volume of any over-allotment and/or "green shoe" procedure*

Not applicable.

5.2.1.10. *Time period of the existence of the over-allotment and/or "green shoe" procedure*

Not applicable.

5.2.1.11. *Any condition for the use of the over-allotment or "green shoe" procedure*

Not applicable.

### **5.3. Prices**

Indication of the price at which the securities will be offered. When the price is not known or when there is no established and/or liquid market for the securities, indicate the method to establish the price offered, including the declaration regarding who has established this criteria or is formally responsible for said determination. Indication of the amount of all expenses and taxes charged specifically to the subscriber or buyer

5.3.1.1. *Price and method for its determination*

The operation described in this Prospectus consists of the admission to trading of 100% of MÁSMOVIL's shares without performing a public offering nor the subscription of shares.

MÁSMOVIL's total capital, for which admission to listing is requested, amounts to 1,995,110 Euros and is comprised of 19,951,100 shares with a face value of 0.10 Euros each, which belong to the same class and series and which grant the same rights and obligations to shareholders.

The initial listing price of MÁSMOVIL's shares will be determined by the listing price of MÁSMOVIL's shares on the Alternative Investment Market, Companies under Expansion Section ("MAB-EE") at the closing of the market the day before the beginning of their listing, and if the market is not open on the previous day, as of the last day they were listed on the MAB.

*5.3.1.2. Expenses and taxes charged specifically to the holders of securities:*

The admission to trading of the MÁSMOVIL's shares will be free of expenses for the holder of the shares.

Process to publish the price of securities

See section 5.3.1.

If the holders of the Issuer's shares have pre-emptive acquisition rights and these rights are limited or suppressed, indicate the price basis of the issuance if it is in cash, along with the reasons for and the beneficiaries of this limitation or suppression

Not applicable.

In cases in which there may be or there is an important difference between the issuing price and the real cash cost for the members of administrative, management or supervision bodies, senior management or related people, with respect to the securities acquired by them in operations performed over the last year, or which they have the right to acquire, a comparison of the public contribution for the proposed issuance and the real cash contribution of said people must be included

Not applicable.

**5.4. Placement and underwriting**

Name and address of placement entities and the global underwriting entity

Not applicable.

Name and address of any payment agent and trustee entities in each country

Not applicable.

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Name and address of the entities that agree to insure the issuance with a firm commitment and details of the entities that agree to place the issuance without a firm commitment or with a "best efforts" agreement. Indication of the important features of agreements, including amounts. In the event that the issuance is not fully subscribed, a statement regarding the portion not covered. Indication of the global amount of the subscription commission and placement commission.

Not applicable.

When the underwriting agreement was or will be reached

Not applicable.

## **6. AGREEMENTS FOR ADMISSION TO LISTING AND TRADING**

### **6.1. Indication of whether the securities offered are or will be the subject of an application for admission to trading, in view of their distribution on a regulated market or on other equivalent markets, indicating the markets in question. These circumstances must be mentioned, without creating the impression that the admission to trading will necessarily be approved. If known, the earliest dates on which the securities will be admitted for trading must be supplied**

In accordance with the agreement adopted by the Ordinary General Shareholders' Meeting held on June 22, 2017, it was agreed to request the admission to trading of the Company's shares on the Madrid, Barcelona, Bilbao and Valencia Securities Exchanges, as well as integration into the Integrated Spanish Stock Exchange (Continuous Market).

Once the CNMV verifies the admission to trading of MÁSMOVIL's shares on the Madrid, Barcelona, Bilbao and Valencia Securities Exchanges and these adopt the corresponding admission agreements, in accordance with article 76 of the Securities Market Act, said shares will be admitted to trading, which is scheduled to take place on July 14, 2017.

The Company is aware of and accepts to comply with the regulations that exist or which may be stipulated regarding Securities Exchanges and Markets and, under exceptional circumstances, regarding the contracting, permanence and exclusion from official listing of the securities on the abovementioned secondary markets, according to applicable legislation and the requirements of governing bodies.

### **6.2. All the regulated markets or equivalent markets in which, to the best of the Issuer's knowledge, securities of the same category as the securities that are going to be offered or admitted to trading are already traded**

All Company shares are currently admitted to trading on the MAB-EE.

It is the Company's intention to publish and disseminate financial information quarterly starting as of its admission to listing.

### **6.3. If, simultaneously or almost simultaneously with the creation of the securities for which trading on a regulated market is desired, securities of the same class are privately placed or subscribed, or if securities of other classes are created for public or private placement, provide the details of the nature of these transactions and the number and features of the securities to which they refer**

Not applicable.

### **6.4. Details of the entities that have a firm commitment to act as intermediaries in secondary trading, providing liquidity by means of supply and demand orders and description of the main terms of their commitment.**

MÁSMOVIL has signed a liquidity contract regarding its shares with Santander Investment Bolsa, Sociedad de Valores, S.A.U., in accordance with the content established in Circular 1/2007, as described in section 2.2 of Article II on to Risk Factors.

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

**6.5. Stabilization: In the event that an Issuer or a selling shareholder has granted an over-allotment option or it is foreseen that price stabilization activities with regards to the offering may be carried out**

No over-allotment option has been granted, nor has it been proposed that price stabilizing activities can be carried out.

**7. HOLDERS SELLING SECURITIES**

**7.1. Name and professional address of the person or entity that is offering to sell the securities, the nature of any position or any other important relationship sellers have maintained during the last three years with the Issuer or with any of its predecessors or associated individuals**

Not applicable.

**7.2. Number and class of the securities being offered by each of the holders selling them**

Not applicable.

**7.3. Lock-up agreements**

The company has no knowledge of the existence of lock-up agreements affecting its shareholders.

## **8. COSTS OF THE ISSUANCE/OFFERING**

### **8.1. Total net revenue and calculation of total costs of the issuance/offering**

Due to the difficulty of establishing the definitive amount as of the date of this Securities Note, below we include, for information purposes, an approximate forecast of the estimated costs (not including VAT) of the admission to listing of the Company shares.

<b>Facilities and equipment</b>	<b>Amount (in Euros)</b>
Iberclear fees <sup>(1)</sup>	50.000
Fees and charges of Spanish Stock Markets <sup>(1)</sup>	115.081
CNMV fees	25.000
Legal expenses and others <sup>(2)</sup>	604.000
<b>Total</b>	<b>794.581</b>

<sup>(1)</sup> The price per share corresponding to July 10, 2017, which amounts to 57.1 Euros, has been taken as the basis of the calculation, for information purposes only.

<sup>(2)</sup> Including notarial, commercial registry, legal and commercial advertisement, agent banks, legal, financial, and accounting consulting and auditor expenses.

**9. DILUTION**

**9.1. Amount and percentage of the immediate dilution resulting from the offer**

Not applicable.

**9.2. In the event of a subscription offer to current holders, the amount and percentage of the immediate dilution if they do not subscribe to the new offer**

Not applicable.

**10. ADDITIONAL INFORMATION**

**10.1. If the advisors connected with an issuance are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted**

The following entities have provided consulting services to the Company regarding the admission to trading of its shares:

- KPMG AUDITORES, S.L.: as the Company's accounts auditor;
- KPMG ABOGADOS, S.L.: MÁSMOVIL legal consulting;
- NORGESTION,S.A.: consulting to MÁSMOVIL regarding the preparation of this Informational Prospectus;
- Santander Investment Bolsa, Sociedad de Valores, S.A.U.: as a liquidity agent through a Liquidity Contract.

**10.2. Indication of other information in the Securities Note that has been audited or checked by auditors and whether auditors have made a report. Copy of this report or, with the permission of the competent authority, a summary thereof**

See section 20.1 of the Registration Document of this Prospectus.

**10.3. When a statement or a report is included in the Securities Note and this is attributed to an expert, provide the name of this/these person(s), their professional address, qualifications and vested interest in the issue, as applicable. If the report is presented at the request of the Issuer, a statement to that effect included in the said statement or report, the form and the context in which it is included, with the consent of the person that has authorized the content of that portion of the Securities Note**

Not applicable.

**10.4. In the event that the information comes from a third party, provide confirmation that the information has been reproduced accurately and that, to the best of the Issuer's knowledge and as far as the Issuer has been able to determine from the information published by said third party, none of the information reproduced omits anything that would render it inaccurate or deceitful. In addition, the issuer must identify the source or sources of the information**

Not applicable.

#### **IV. REGISTRATION DOCUMENT**

##### **1. PERSONS RESPONSIBLE**

###### **1.1. Identification of the people for the Registration document \*\*\***

Mr. Meinrad Spenger, as Chief Executive Officer of MÁSMOVIL IBERCOM, S.A. (the “**Company**”, “**MÁSMOVIL**”, or the “**Issuer**”) and on behalf of it through the powers specifically bestowed upon him by the Board of Directors on May 22, 2017, regarding the exercise of the authorization granted by the Ordinary General Shareholders’ Meeting dated June 22, 2017, assumes the responsibility for the information contained in this Registration Document, the format of which is adjusted to that of Annex III, Regulation (EC) n° 809/2004 of the Commission of April 29, 2004 regarding the application of Directive 2003/71/CE of the European Parliament and Commission, in relation to the information contained in prospectuses, as well as the format, inclusion by reference, publication of said prospectuses and advertisement dissemination.

The Registration Document, which together with the Securities Note, Summary, Risk Factors as well as each of the documents defined in the respective sections that make up this informational prospectus (the “**Prospectus**”), has been prepared within the framework of the admission to trading request for Company shares at the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Integrated Spanish Stock Exchange (Mercado Continuo).

###### **1.2. Declaration of the people responsible for the Registration document**

Mr. Meinrad Spenger, on behalf of and representing MÁSMOVIL, declares that, after acting with reasonable diligence to guarantee the results, the information contained in the current Registration Document is, to the best of his knowledge, in line with the facts, and that it does not contain any omissions that may have an effect on its content.

**2. ACCOUNTS AUDITORS**

**2.1. Names and addresses of the Issuer's auditors for the period covered by historical financial information (along with their membership in a professional body).**

KPMG AUDITORES, S.L. (“**KPMG Auditores**”), with registered address at Torre de Cristal, Paseo de la Castellana, 259-C, 28046 Madrid, with Tax Identification Code B-78 510 153 recorded in the Official Registry of Statutory Auditors (ROAC) under number S0702, has audited the consolidated financial statements corresponding to the financial years ending on December 31, 2014 and 2015 and the consolidated annual accounts corresponding to the financial year ending on December 31, 2016.

Likewise, MÁSMOVIL's consolidated non-audited intermediate financial statements corresponding to the period of three (3) months ending on March 31, 2017 have been subjected to a limited review by KPMG Auditores.

KPMG Auditores was appointed auditor for the Company at the General Meeting held on June 29, 2007. Likewise, KPMG Auditores was re-elected as accounts auditor of the Company, MÁSMOVIL Ibercom, S.A. and its Group, for the financial years of 2015, 2016 and 2017, with this re-election having been recorded on the Company registry page (entry 53) of the Commercial Registry.

**2.2. If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if these are important.**

KPMG Auditores has not resigned nor has it been removed from its responsibilities during the period covered by the historical financial information.

**3. SELECTED FINANCIAL INFORMATION**

**3.1. Selected historical financial information related to the Issuer, which will be submitted for each financial year during the period covered by the historical financial information and any other subsequent intermediate financial period, in the same currency as the financial information**

Below are the key figures that summarize the Company's financial situation and its changes over the period covered by the historical financial information. These figures have been obtained from the consolidated audited financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS-EU") for the financial years ending on December 31, 2015 and 2014 and the audited consolidated annual accounts prepared according to the IFRS-EU for the financial year ending on December 31, 2016, as well as the consolidated intermediate financial statements for the period of three (3) months ending on March 31, 2017 subject to a limited review by KPMG Auditores, which have been prepared in accordance with the provisions of article 12 of Royal Decree 1310/2005 of November 4, which partially establishes Law 24/1988 of July 28 regarding the Securities Market, with regards to the admission to trading of securities on official secondary markets, public sale offerings and the required prospectus for said purposes.

The information contained in this section must be read together with the financial information included in section 20 of the Registration Document of this Prospectus prepared according to the IFRS-EU.

**Financial Statement**

Below is a chart with the key numbers included in the Issuer's consolidated statement:

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Balance Sheet (In thousand euros)	31/03/2017	31/12/2016	31/12/2015	31/12/2014	Var. 16-17 (3m) %	Var. 16-15 %	Var. 15-14 %
<b>NON CURRENT ASSETS</b>	<b>1.457.697</b>	<b>1.425.488</b>	<b>234.241</b>	<b>84.853</b>	<b>-2,21%</b>	<b>508,56%</b>	<b>176,06%</b>
Intangible assets	779.245	737.259	121.984	68.104	-5,39%	504,39%	79,11%
Tangible fixed assets	397.779	403.948	96.082	3.906	1,55%	320,42%	2359,86%
Deferred tax assets	233.876	235.801	13.233	10.624	0,82%	1681,92%	24,56%
Other non current assets	46.797	48.480	2.942	2.219	3,60%	1547,86%	32,58%
<b>CURRENT ASSETS</b>	<b>408.670</b>	<b>437.337</b>	<b>156.661</b>	<b>41.696</b>	<b>7,01%</b>	<b>179,16%</b>	<b>275,72%</b>
Trade Debtors and other accounts receivable	176.660	187.794	120.233	29.094	6,30%	56,19%	313,26%
Cash and other equivalent liquid assets	218.159	236.079	30.498	8.802	8,21%	674,08%	246,49%
Other current assets	13.851	13.464	5.930	3.800	-2,79%	127,05%	56,05%
<b>TOTAL ASSETS</b>	<b>1.866.367</b>	<b>1.862.825</b>	<b>390.902</b>	<b>126.549</b>	<b>-0,19%</b>	<b>376,55%</b>	<b>208,89%</b>
<b>Equity</b>	<b>248.179</b>	<b>255.605</b>	<b>89.025</b>	<b>65.273</b>	<b>2,99%</b>	<b>187,12%</b>	<b>36,39%</b>
Share Capital	1.995	1.995	1.177	1.051	0,00%	69,50%	11,99%
Issuance Premium	246.652	246.652	87.470	66.470	0,00%	181,98%	31,59%
Accumulated profit and other reserves	-70.323	-62.645	-1.881	-918	-10,92%	3230,41%	104,90%
Treasury Shares	-279	-375	-1.241	-1.326	34,41%	-69,78%	-6,41%
Other Equity instruments	70.088	70.022	3.510	0	-0,09%	1894,93%	-
Currency translation differences	46	-44	-10	-4	-195,65%	340,00%	150,00%
<b>NON CURRENT LIABILITIES</b>	<b>973.071</b>	<b>931.615</b>	<b>135.713</b>	<b>16.645</b>	<b>-4,26%</b>	<b>586,46%</b>	<b>715,34%</b>
Debts with credit institutions	438.557	434.125	2.003	2.471	-1,01%	21573,74%	-18,94%
Debts under finance lease	32.725	34.350	243	288	4,97%	14035,80%	-15,63%
Other financial liabilities	240.257	181.998	52.128	5.648	-24,25%	249,14%	822,95%
Provisions	83.856	101.181	130	130	20,66%	77731,54%	0,00%
Deferred tax liabilities	58.332	59.391	4.885	646	1,82%	1115,78%	656,19%
Other non current liabilities	78.467	75.289	68.584	0	-4,05%	9,78%	-
Remaining non current liabilities	40.877	45.281	7.740	7.462	10,77%	485,03%	3,73%
<b>CURRENT LIABILITIES</b>	<b>645.117</b>	<b>675.605</b>	<b>166.164</b>	<b>44.631</b>	<b>4,73%</b>	<b>306,59%</b>	<b>272,31%</b>
Debts with credit institutions	32.373	35.939	10.797	4.040	11,02%	232,86%	167,25%
Financial derivative instruments	60.499	72.741	0	0	20,24%	-	-
Other financial liabilities	119.955	136.159	111.521	3.324	13,51%	22,09%	3255,02%
Trade creditors and other accounts payable	371.204	383.803	41.738	34.503	3,39%	819,55%	20,97%
Other current liabilities	61.086	46.963	2.108	2.764	-23,12%	2127,85%	-23,73%
<b>TOTAL Equity AND LIABILITIES</b>	<b>1.866.367</b>	<b>1.862.825</b>	<b>390.902</b>	<b>126.549</b>	<b>-0,19%</b>	<b>376,55%</b>	<b>208,89%</b>

The Company will cover the maturity of its short term debts as well as investments committed with resources from (i) net assets of March 31, 2017 (98 million euros), (ii) the cash flow generated by the Group in the following months, (iii) the reverse factoring (“*confirming*” in Spanish) lines (up to a maximum amount of 120 million euros), (iv) lines of credit (20 million euros available), and (v) Tranche E of the Syndicated facilities agreement with 30 million euros still available.

## Profit and Loss Statement

Below is a chart detailing the key numbers on the Issuer’s consolidated Profit and Loss Statement:

Profit and Loss Account (In thousand euros)	2017 (3m)	2016 (3m)	2016	2015	2014	Var. 16-17 (3m) %	Var. 16-15 %	Var. 15-14 %
Ordinary Income	296.857	33.924	401,020	130.249	77.005	775,06%	207,89%	69,14%
<b>OPERATING RESULT</b>	<b>11.965</b>	<b>-2.447</b>	<b>-40.547</b>	<b>485</b>	<b>-175</b>	<b>-588,97%</b>	<b>-8460,21%</b>	<b>-377,14%</b>
FINANCIAL RESULT	-15.400	-217	-20.498	-2.501	-512	6996,77%	719,59%	388,48%
<b>RESULT BEFORE TAXES</b>	<b>-3.435</b>	<b>-2.664</b>	<b>-61.045</b>	<b>-2.016</b>	<b>-687</b>	<b>28,94%</b>	<b>2928,03%</b>	<b>193,45%</b>
<b>FISCAL YEAR RESULT</b>	<b>-7.725</b>	<b>-3.624</b>	<b>-58.051</b>	<b>-1.507</b>	<b>122</b>	<b>113,16%</b>	<b>3752,09%</b>	<b>-1335,25%</b>
<b>FISCAL YEAR COMPREHENSIVE RESULT</b>	<b>-7.635</b>	<b>-3.614</b>	<b>-58.085</b>	<b>-1.513</b>	<b>118</b>	<b>111,26%</b>	<b>3739,06%</b>	<b>-1382,20%</b>

### Aggregated Profit and Loss Statement 2015, Pro-forma 2016, Aggregated on March 31, 2016 and Consolidated on March 31, 2017

Exclusively for comparative purposes, the key numbers included in the Aggregated Profit and Loss Statements for the 2015 financial year (considering aggregation to be the sum of the consolidated yearly amounts of the Group and the amounts obtained from the annual statements of Yoigo and Pepephone without including any adjustments) and Pro-forma for the 2016 financial year and Aggregated as of March 31, 2016 (considering that the acquisitions of Yoigo and Pepephone would have been carried out on the date of January 1, 2016), as well as the Consolidated Profit and Loss statement as of March 31, 2017:

Profit and Loss Account (In thousand euros)	Consolidate mar-17	Aggregate mar-16	Pro-forma 16	Aggregate 15	Var. 16-17 (3m) %	Var. 16-15 %
Ordinary Income	296,857	273,604	1.120,004	1.070,662	8,50%	4,61%
Other operating income	7,574	2,989	18,274	17,803	153,38%	2,65%
Consumption of goods, raw materials and consumables	-231,132	-172,775	-685,373	-660,540	3378,00%	3,76%
Other operating income	-27,953	-83,944	-334,008	-325,102	-66,70%	2,74%
<b>Recurring EBITDA</b>	<b>45,346</b>	<b>19,874</b>	<b>118,897</b>	<b>102,823</b>	<b>128,17%</b>	<b>15,63%</b>
Extraordinary Expenses	-4,953	0	-30,598	0	-	-
<b>EBITDA</b>	<b>40,393</b>	<b>19,874</b>	<b>88,299</b>	<b>102,823</b>	<b>103,25%</b>	<b>-14,13%</b>
Depreciation and amortisation expenses	-28,428	-22,155	-106,583	-82,700	28,32%	28,88%
<b>EBIT</b>	<b>11,965</b>	<b>-2,281</b>	<b>-18,284</b>	<b>20,123</b>	<b>-624,55%</b>	<b>-190,86%</b>
<b>Recurring EBIT</b>	<b>16,918</b>	<b>-2,281</b>	<b>12,314</b>	<b>20,123</b>	<b>-841,69%</b>	<b>-38,81%</b>
Financial Result	-49,449	-1,940	-26,173	-11,178	2448,92%	134,15%
<b>RESULT BEFORE TAXES</b>	<b>-37,484</b>	<b>-4,221</b>	<b>-44,457</b>	<b>8,945</b>	<b>788,04%</b>	<b>-597,00%</b>
Income Tax	-4,290	-960	4,786	-2,805	346,88%	-270,62%
<b>FISCAL YEAR'S RESULT</b>	<b>-41,774</b>	<b>-5,181</b>	<b>-39,671</b>	<b>6,140</b>	<b>706,29%</b>	<b>-746,11%</b>

The amounts aggregated during the first quarter of 2016, considering aggregation to be the sum of the consolidated financial statements of the Group and the amounts obtained from the individual financial statements of Yoigo and Pepephone without including any pro-forma adjustments, are the following:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Profit and Loss Account (In thousand euros)	Yoigo	Pepephone	MásMóvil	Aggregate
Ordinary Income	221,192	18,488	33,924	273,604
Other operating income	2,933	9	47	2,989
Consumption of goods, raw materials and consumables	-138,560	-12,193	-22,022	-172,775
Other operating income	-71,087	-2,105	-10,752	-83,944
<b>Recurring EBITDA</b>	<b>14,478</b>	<b>4,199</b>	<b>1,197</b>	<b>19,874</b>
Extraordinary Expenses	0	0	0	0
<b>EBITDA</b>	<b>14,478</b>	<b>4,199</b>	<b>1,197</b>	<b>19,874</b>
Depreciation and amortisation expenses	-18,497	-20	-3,644	-22,155
<b>EBIT</b>	<b>-4,013</b>	<b>4,179</b>	<b>-2,447</b>	<b>-2,281</b>
<b>Recurring EBIT</b>	<b>-4,013</b>	<b>4,179</b>	<b>-2,447</b>	<b>-2,281</b>
Financial Result	-1,734	11	-217	-1,940
<b>RESULT BEFORE TAXES</b>	<b>-5,747</b>	<b>4,193</b>	<b>-2,664</b>	<b>-4,221</b>
Income Tax	0	0	-960	-960
<b>FISCAL YEAR'S RESULT</b>	<b>-5,747</b>	<b>4,190</b>	<b>-3,624</b>	<b>-5,181</b>

Consolidated pro-forma amounts, in other words, considering that the acquisitions of Yoigo and Pepephone would have taken place on January 1, 2016, are the following:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Profit and Loss Account (In thousand euros)	Másmóvil Consolidated	Xfera prior addition to Másmóvil	Pepe prior addition to Másmóvil	Pro-forma 2016
Ordinary Income	401,020	669,740	49,244	1.120,004
Other operating income	9,831	8,418	24	18,274
Consumption of goods, raw materials and consumables	-262,871	-387,555	-34,947	-685,373
Other operating income	-131,544	-196,515	-5,949	-334,005
<b>Recurring EBITDA</b>	<b>16,437</b>	<b>94,088</b>	<b>8,372</b>	<b>118,897</b>
Extraordinary Expenses	-15,780	-11,073	-3,745	-30,598
<b>EBITDA</b>	<b>657</b>	<b>83,015</b>	<b>4,627</b>	<b>88,299</b>
Depreciation and amortisation expenses	-41,204	-59,491	-5,888	-106,583
<b>EBIT</b>	<b>-40,547</b>	<b>23,524</b>	<b>-1,261</b>	<b>-18,284</b>
<b>Recurring EBIT</b>	<b>-24,767</b>	<b>34,597</b>	<b>2,484</b>	<b>12,314</b>
Financial Result	-20,498	-5,718	43	-26,173
<b>RESULT BEFORE TAXES</b>	<b>-61,045</b>	<b>17,806</b>	<b>-1,218</b>	<b>-44,457</b>
Income Tax	2,994	374	1,418	4,786
<b>FISCAL YEAR'S RESULT</b>	<b>-58,051</b>	<b>18,180</b>	<b>200</b>	<b>-39,671</b>

The aggregated amounts corresponding to the 2015 financial year, considering aggregation to be the sum of the Group's consolidated annual accounts and the figures obtained from the individual annual financial statements of Yoigo and Pepephone, without including any pro-forma adjustments, are the following:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish. In the event of discrepancy, the Spanish version will prevail.*

Aggregate Pro forma Loss and Profit Account 2015 (In thousand euros)	Yoigo	Pepephone	MásMóvil	Aggregate
Ordinary Income	878,073	62,340	130,249	1.070,662
Other operating income	14,432	72	3,299	17,803
Consumption of goods, raw materials and consumables	-531,185	-39,857	-89,498	-660,540
Other operating income	-282,596	-9,323	-33,183	-325,102
<b>Recurring EBITDA</b>	<b>78,724</b>	<b>13,232</b>	<b>10,867</b>	<b>102,823</b>
Extraordinary Expenses	0	0	0	0
<b>EBITDA</b>	<b>78,724</b>	<b>13,232</b>	<b>10,867</b>	<b>102,823</b>
Depreciation and amortisation expenses	-72,235	-83	-10,382	-82,700
<b>EBIT</b>	<b>6,489</b>	<b>13,149</b>	<b>485</b>	<b>20,123</b>
<b>Recurring EBIT</b>	<b>6,489</b>	<b>13,149</b>	<b>485</b>	<b>20,123</b>
Financial Result	-8,801	124	-2,501	-11,178
<b>RESULT BEFORE TAXES</b>	<b>-2,312</b>	<b>13,273</b>	<b>-2,016</b>	<b>8,945</b>
Income Tax	446	-3,760	509	-2,805
<b>FISCAL YEAR'S RESULT</b>	<b>-1,866</b>	<b>9,513</b>	<b>-1,507</b>	<b>6,140</b>

Yoigo's turnover corresponding to the 2016 financial year amounted to 890 million Euros, recording a loss of 2 million Euros. Yoigo's turnover corresponding to the first quarter of 2017 amounted to 226 million Euros, recording a profit of 4 million Euros.

### Main financial ratios

Below is a chart with the Issuer's main financial ratios (see glossary of terms for a better understanding of the financial ratios provided in the following chart):

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Main financial ratios (In thousand euros)	31/03/2017	31/12/2015	31/12/2014	Var. 16-17 (3m) %	Var. 16-15 %	Var. 15-14 %
EBITDA	40.393	10.867	3.730	-	-	191,34%
EBITDA / Ordinary Income	13,61%	8,34%	4,84%	-	-	72,24%
Recurring EBITDA <sup>(1)</sup>	45.346	10.867	3.730	-	-	191,34%
Recurring EBITDA / Ordinary Income	15,28%	8,34%	4,84%	-	-	72,24%
Net Assets <sup>(2)</sup>	248.179	89.025	65.273	-	-	36,39%
Recurring EBITDA / Net Assets <sup>(3)</sup>	73,09%	12,21%	5,71%	-	-	113,61%
ROA <sup>(3)</sup>	2,56%	0,12%	-0,14%	-	-	-189,72%
ROE <sup>(3)</sup>	-12,31%	-1,70%	0,18%	-	-	-1040,11%
Gross Financial Debt	961.054	183.560	23.558	-	-	679,18%
Net Financial Debt	742.895	153.062	14.756	-	-	937,29%
Indebtedness ratio	6,52	3,39	0,94	-	-	261,21%
Net Financial Debt / EBITDA <sup>(3)</sup>	4,60	14,09	3,96	-	-	256,04%
Net Financial Debt / Recurring EBITDA <sup>(3)</sup>	4,10	14,09	3,96	-	-	256,04%
Net Financial Debt / Equity	2,99	1,72	0,23	-	-	660,54%
Net Financial Debt / Asset	0,40	0,39	0,12	-	-	235,81%

Note 1: Recurring EBITDA is consolidated Group EBITDA excluding any extraordinary expenses or expenses of an exceptional nature that are not recurrent as well as the integration and migration costs derived from the acquisition of new businesses. Losses due to depreciation are also excluded, as well as the profit or loss that may take place due to the sale of assets.

Note 2: Net assets correspond to Net Equity.

Note 3: The amounts of EBITDA, EBIT and Revenue have been updated for the calculation of the ratios established in the corresponding column as of March 31, 2017 by multiplying the numbers obtained in the first quarter of the 2017 financial year by a factor of four (4).

Below is the reconciliation of APMs (Alternative Performance Measures) in accordance with ESMA guidelines (*European Securities and Markets Authority*):

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Conciliación APMs (En Miles de euros, excepto porcentajes)	31/03/2017	31/12/2016	31/12/2015	31/12/2014
<b>EBITDA</b>	<b>40.393</b>	<b>657</b>	<b>10.867</b>	<b>3.730</b>
OPERATING RESULT	11.965	-40.547	485	-175
Depreciation and amortisation expenses	28.428	41.204	10.382	3.905
<b>EBITDA / Ordinary Income</b>	<b>13,61%</b>	<b>-0,16%</b>	<b>8,34%</b>	<b>4,84%</b>
EBITDA	40.393	657	10.867	3.730
Ingresos ordinarios	296.857	401.020	130.249	77.005
<b>Recurring EBITDA</b>	<b>45.346</b>	<b>31.255</b>	<b>10.867</b>	<b>3.730</b>
EBITDA	40.393	657	10.867	3.730
Transaction Costs	0	16.078	0	0
Integration Costs	4.953	11.957	0	0
Employee Bonuses successful corporate transaction	0	2.563	0	0
<b>EBITDA Recurrente / Ingresos ordinarios</b>	<b>15,28%</b>	<b>7,79%</b>	<b>8,34%</b>	<b>4,84%</b>
Recurring EBITDA	45.346	31.255	10.867	3.730
Ingresos ordinarios	296.857	401.020	130.249	77.005
<b>Net Assets</b>	<b>214,130</b>	<b>255.605</b>	<b>89.025</b>	<b>65.273</b>
Equity	214,130	255.605	89.025	65.273
<b>Recurring EBITDA / Net Assets</b>	<b>84,71%</b>	<b>12,23%</b>	<b>12,21%</b>	<b>5,71%</b>
Recurring EBITDA	181.384	31.255	10.867	3.730
Net Assets	214,130	255.605	89.025	65.273
<b>ROA</b>	<b>2,56%</b>	<b>-2,18%</b>	<b>0,12%</b>	<b>-0,14%</b>
OPERATING RESULT	47.860	-40.547	485	-175
TOTAL ASSETS	1.866.367	1.862.825	390.902	126.549
<b>ROE</b>	<b>-77,87%</b>	<b>-22,72%</b>	<b>-1,70%</b>	<b>0,18%</b>
RESULTADO GLOBAL TOTAL DEL EJERCICIO	-166.736	-58.085	-1.513	118
Equity	214,130	255.605	89.025	65.273
<b>Deuda Financiera Bruta</b>	<b>995,103</b>	<b>936.516</b>	<b>183.560</b>	<b>23.558</b>
<b>Current gross financial debt</b>	<b>220,454</b>	<b>252.560</b>	<b>123.664</b>	<b>8.241</b>
Debts with credit institutions	32,373	35.939	10.797	4.040
Other debts	880	939	1.244	743
Debts under finance lease	6.747	6.782	102	134
Other financial liabilities	119.955	136.159	111.521	3.324
Financial derivative instruments	60.499	72.741	0	0
<b>Non-current gross financial debt</b>	<b>774,649</b>	<b>683.956</b>	<b>59.896</b>	<b>15.317</b>
Debts with credit institutions	438.557	434.125	2.003	2.471
Other debts	5.898	5.756	5.522	6.910
Debts under finance lease	32.725	34.350	243	288
Other financial liabilities	240.257	181.998	52.128	5.648
Financial derivative instruments	57,212	27.727	0	0
<b>Deuda Financiera Neta</b>	<b>776,944</b>	<b>700.437</b>	<b>153.062</b>	<b>14.756</b>
Deuda Financiera Bruta	995,103	936.516	183.560	23.558
Cash and other equivalent liquid assets	-218.159	-236.079	-30.498	-8.802
<b>Ratio de endeudamiento</b>	<b>7,72</b>	<b>6,29</b>	<b>3,39</b>	<b>0,94</b>
NON CURRENT LIABILITIES	1.007,120	931.615	135.713	16.645
CURRENT LIABILITIES	645,117	675.605	166.164	44.631
Equity	214,130	255.605	89.025	65.273
<b>Net Financial Debt / EBITDA</b>	<b>4,81</b>	<b>1066,11</b>	<b>14,09</b>	<b>3,96</b>
Deuda Financiera Neta	776,944	700.437	153.062	14.756
EBITDA	161,572	657	10.867	3.730
<b>Net Financial Debt / Recurring EBITDA</b>	<b>4,28</b>	<b>22,41</b>	<b>14,09</b>	<b>3,96</b>
Deuda Financiera Neta	776,944	700.437	153.062	14.756
Recurring EBITDA	181,384	31.255	10.867	3.730
<b>Net Financial Debt/ Equity</b>	<b>3,63</b>	<b>2,74</b>	<b>1,72</b>	<b>0,23</b>
Deuda Financiera Neta	776,944	700.437	153.062	14.756
Equity	214,130	255.605	89.025	65.273
<b>Net Financial Debt / Asset</b>	<b>0,42</b>	<b>0,38</b>	<b>0,39</b>	<b>0,12</b>
Deuda Financiera Neta	776,944	700.437	153.062	14.756
TOTAL ASSETS	1.866,367	1.862.825	390.902	126.549

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

**3.2. Comparative data of the selected financial information related to Q1 2017 – Q1 2016**

Below are the key figures that summarize the Company's financial situation during the intermediate period of three (3) months ending on March 31, 2017. The information contained in this section must be read together with the financial information included in section 20.6 of this document.

**Statement**

Below is a chart with the key numbers included in the Issuer's statement:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Balance Sheet (In thousand euros)	31/03/2017	31/12/2016	Var. 16-17 (3m) %
<b>NON CURRENT ASSETS</b>	<b>1.457.697</b>	<b>1.425.488</b>	<b>-2,21%</b>
Intangible assets	779.245	737.259	-5,39%
Tangible fixed assets	397.779	403.948	1,55%
Deferred tax assets	233.876	235.801	0,82%
Other non current assets	46.797	48.480	3,60%
<b>CURRENT ASSETS</b>	<b>408.670</b>	<b>437.337</b>	<b>7,01%</b>
Trade Debtors and other accounts receivable	176.660	187.794	6,30%
Cash and other equivalent liquid assets	218.159	236.079	8,21%
Other current assets	13.851	13.464	-2,79%
<b>TOTAL ASSETS</b>	<b>1.866.367</b>	<b>1.862.825</b>	<b>-0,19%</b>
<b>Equity</b>	<b>248.179</b>	<b>255.605</b>	<b>2,99%</b>
Share Capital	1.995	1.995	0,00%
Issuance Premium	246.652	246.652	0,00%
Accumulated profit and other reserves	-70.323	-62.645	-10,92%
Treasury Shares	-279	-375	34,41%
Other Equity instruments	70.088	70.022	-0,09%
Currency translation differences	46	-44	-195,65%
<b>NON CURRENT LIABILITIES</b>	<b>973.071</b>	<b>931.615</b>	<b>-4,26%</b>
Debts with credit institutions	438.557	434.125	-1,01%
Debts under finance lease	32.725	34.350	4,97%
Other financial liabilities	240.257	181.998	-24,25%
Provisions	83.856	101.181	20,66%
Deferred tax liabilities	58.332	59.391	1,82%
Other non current liabilities	78.467	75.289	-4,05%
Remaining non current liabilities	40.877	45.281	10,77%
<b>CURRENT LIABILITIES</b>	<b>645.117</b>	<b>675.605</b>	<b>4,73%</b>
Debts with credit institutions	32.373	35.939	11,02%
Financial derivative instruments	60.499	72.741	20,24%
Other financial liabilities	119.955	136.159	13,51%
Trade creditors and other accounts payable	371.204	383.803	3,39%
Other current liabilities	61.086	46.963	-23,12%
<b>TOTAL Equity AND LIABILITIES</b>	<b>1.866.367</b>	<b>1.862.825</b>	<b>-0,19%</b>

### Profit and Loss Account

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Below is a chart with the key numbers of the Issuer's Profit and Loss Account as of March 31, 2017 and 2016:

Profit and Loss Account (In thousand euros)	2017 (3m)	2016 (3m)	Var. 16-17 %
Ordinary Income	296.857	33.924	775,06%
<b>OPERATING RESULT</b>	<b>11.965</b>	<b>-2.447</b>	<b>-588,97%</b>
FINANCIAL RESULT	-49,449	-217	22687,56%
<b>RESULT BEFORE TAXES</b>	<b>-37,484</b>	<b>-2.664</b>	<b>1307,06%</b>
<b>FISCAL YEAR RESULT</b>	<b>-41,774</b>	<b>-3.624</b>	<b>1052,70%</b>
<b>FISCAL YEAR COMPREHENSIVE RESULT</b>	<b>-41,684</b>	<b>-3.614</b>	<b>1053,40%</b>

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

**4. RISK FACTORS**

Information related to the risks affecting the Issuer is found in Section II above in this Prospectus regarding Risk Factors.

## **5. INFORMATION ABOUT THE ISSUER**

### **5.1. History and evolution of the Issuer**

#### Legal and commercial name of the Issuer

The Company complete corporate name is MÁSMOVIL IBERCOM, S.A.

#### Place and registration of the Issuer and registration number

The company is recorded in the Commercial registry of Guipúzcoa, on Volume 2172, Folio 182, Page SS-13511, with VAT number A-20609459.

#### Date of incorporation and period of activity of the Issuer, if not indefinite

MÁSMOVIL IBERCOM, S.A. is an indefinite life company. It was incorporated in November 12, 1997, by reason of public deed granted before Mr. José Luis Carvajal García-Pando Notary Public of Hondarribia, with his procedure number 1576 with the name WORLD WIDE WEB IBERCOM, S.L.

The Company General shareholders' meeting held on July 1, 2011, which agreements were notarized by deed authorized by Mr. Francisco Javier Oñate Cuadros Notary Public of San Sebastián, dated September 13, 2011 with his procedure number 1660, agreed upon the transformation of the Company into a corporation. Said deed is recorded in the Commercial registry of Guipúzcoa, on Volume 2172, Folio 183, Page SS-13511, recording 24.

On May 30, 2014, the Company Shareholders Meeting agreed to modify the name of the Company from WORLD WIDE WEB IBERCOM, S.A. to MÁSMOVIL IBERCOM, S.A. Said modification was notarized the past July 3, 2014 before Mr. Francisco Javier Oñate Cuadros Notary Public of Donostia-San Sebastián with his procedure number 1130 and has been recorded in the Commercial Registry of Guipúzcoa on volume 2647, Folio 209, Page SS-13511, recording 38.

#### Address and legal personality of the issuer, legislation under which it operates, country of incorporation and address and telephone number of its registered office (or main place of business activity if different from its registered office)

##### *5.1.1.1. Registered office and legal personality*

MÁSMOVIL IBERCOM, S.A. has its registered address in San Sebastián, Parque Empresarial Zuatzu, Edificio Easo, 2ª planta, nº 8.

The Company is of Spanish nationality, commercial and has the legal composition of a corporation. As a consequence it is subject to the regulation established under the Spanish Companies Act and other applicable law, as well as specific regulation to its sector of activity.

The contact telephone number for shareholders and investors is: +34 722 395 000.

E-mail: [inversores@masmovil.com](mailto:inversores@masmovil.com)

Web page: [www.grupomasmovil.com](http://www.grupomasmovil.com)

##### *5.1.1.2. Regulation frame. Regulation of electronic communication services*

According to the provisions of article 3 of the By-laws, the purpose of the Company is the following:

- The rendering of telecommunication services through the exploitation of networks or the resale of telephonic, mobile telephone, fixed telephone, internet and television services and the development of computer applications.
- The rendering and commercialization of all types of works, services or own activities or those related with or through a computer network.
- Counselling and consultation in the computer and telecommunications area. The analysis of companies and the technical cooperation of *software* and *hardware*. The application and training of computer applications and telecommunications. Counselling in matters of strategic and operational planning. The organization of human and material means, performance of entrepreneurial studies and reports and the counselling and guidance for the exploitation of telecommunications operators and business strategy.
- The sales, distribution, import, export, maintenance and service of all type of products and services related to computers and telecommunications regarding the *hardware* as well as the *software* and Internet, including the distribution and sale of any product and service through the Internet, information highway or any other similar, complementary or remote network or one replacing the current one.
- The rendering of services to third parties of studies, project, technical counselling and investment in matters of communications and computer applications. The support to management services are specifically included in this section.

The CNAE which corresponds to the main activity of the corporate purposes is 6190 ("other telecommunications actives"). Likewise, the CNAE corresponding to the remaining activities under the corporate purpose are 4741 ("*retail of computers, computer equipment and computer programs in specialized establishments*") and 6201 ("*activities of computer programming*").

This section specifically includes the services to the support of management in matters of finance, tax and accounting administration, collections, payments, treasury management, human resources and personnel management, computer services, acquisitions and any other services necessary for the good standing of the corporate purpose.

The activities that comprise the corporate purpose can also be developed by the Company, fully or partially, in an indirect manner in any of the manners admitted by Law and, particularly, through the participation in other companies with an identical or analogous purpose.

All these activities are subject to legal systems that modulate and condition the operation of the Company. Below there is a list of the regulatory frame to which said activities are subject to.

#### *5.1.4.2.1. European regulation summary*

In the past fifteen (15) years, the telecommunications market of the European Union (EU) has been gradually liberalized.

In March 2002 the EU approved the new regulatory frame for electronic communications (the "**RF**" or *regulatory framework, regulatory frame*) with the purpose of adopting a harmonized regulatory frame among Member States.

The RF is comprised by five (5) directives (the "**Directives**"):

- Framework directive: A regulatory frame common for the electronic communications networks and services that establish the general principles of the RF, as well as the

procedure to be followed by the national regulatory authorities to imposed obligations ex ante over the operators with significant market power ("**SMP**" or *significant market power*).

- Universal service directive: regulates the universal service and the rights of the communications networks and services users.
- Access directive: regulates the access to the electronic communications network and their interconnection.
- Authorization directive: regulates the authorization of the communications services and networks.
- The electronic communications and privacy: regulates the treatment of private data and the privacy protection in electronic communications.

This regulatory package also includes three (3) important elements:

- Recommendations of the Commission over relevant markets susceptible to ex ante regulation ("**Market Recommendation**");
- The directives over the analysis of the market and SMP assessment (the "**Directives**");
- The decision over a regulatory frame for the radio electric spectrum policy. The transposition to the Spanish legislation of European directive regarding radio frequencies that took place on November 3, 2003 through Act 32/2003 of telecommunications (the "**Act 32/2003**"), abrogated by Act 9/2014, of May 9, General of Telecommunications (the "**General Telecommunications Act**").

On November 2009, the electronic communications regulatory package was reviewed in a procedure that lasted two (2) years and in which the Commission, Parliament and Council intervened . The main change consisted in the increase of the Commission powers to coordinate the use of the radio electric spectrum. The Commission was also granted greater powers regarding the obligations that the national regulatory authorities imposed over the operators with significant market power, particularly when those could create barriers for the single market and breach the European Union legislation ("**EU**").

The modified directives also contain a series of provisions related to the new generation networks, consumer rights and (as an exceptional measure) the functional separation of the vertically integrated companies. This measure is adopted when the Regulating Authority concludes that the obligations imposed by the national regulatory authorities to the operations with significant market power according to the applicable law did not achieve a real competition and there are important and persistent competition problems and/or market risks regarding the wholesale rendering of specific access markets.

In 2007 a new Market recommendation was adopted by the Commission (the "**2007 market recommendation**") abrogated and replacing the previous 2003 Market recommendation, reducing the markets potentially subject to ex ante regulation from eighteen (18) to seven (7). This reduction included the majority of the retail markets, the mobile networks access markets and the radio broadcasting market.

In November 2009, the Parliament and the Council Regulation created the Body of European Regulators for Electronic Communications ("**BEREC**" *Body of European Regulators for Electronic Communications*), a European body of national regulation authorities that acts as a consultant committee to the Commission. The BEREC started its activities in January 2010.

Since then, the Commission has updated the recommendation about the markets in the Markets Recommendation of 2014, eliminating the retail markets of fixed access and the leased retail lines. It has also adopted measures aimed at promoting the development of broadband, with the adoption of: (i) recommendations in 2010 and 2013 aimed to a greeter harmonization and efficiency of the corrective measures of the NRA (National Regulatory Authorities) with the operators that have a significant market power related to the access to the NGN (*New Generation Networks*), (ii) a Directive to facilitate the deployment of networks, and (iii) a new Decision regarding the spectre of frequencies 790-862 MHz, 880-915 MHz, 925-960 MHz, 1710-1785 MHz, 1805-1880 MHz, 1900 -1980 MHz, 2010 – 2025 MHz, 2110 – 2170 MHz, 2.5 -2.69 GHz and 3.4-3.8 GHz.

On July 1, 2012, entered in to force Regulation (EU) N° 531/2012 about public mobile communications networks in the EU came into effect with the goal of eliminating the differences between the *international roaming* (“**Regulation 531/2012**”) establishing and interior market of communication services. The regulation allows: that (i) mobile operators use networks of other operators in Member States at wholesale regulated prices; and (ii) to clients to use voice, SMS and data services from an alternative service supplier without changing the telephone, the number or the SIM card. The application of regulation 531/2012 started on July 1, 2014. On July 30, 2015, the Commission announced that it had reached a commitment with the European parliament and the Council to eliminate the excess costs for the users starting June 15, 2017 (“**RLAH**” *Roam like at home*) and embody the neutrality principle of the network on April 30, 2016.

On November 2015 regulation 2015/2120 which establishes the measures in relation to the access to net neutrality and, among others, modifies Regulation 531/2012 related to network roaming came into effect. The principle of *net neutrality* must ensure that all traffic that circulates through the networks receives the same treatment regardless of its typology, source and destination. Thus, it prohibits commercial practices consistent on blocking traffic, slowing down the speed and discriminating services. On August 30, 2016, the BEREC Directives were published detailing the terms of the Regulation with the purpose of guaranteeing in Europe a universal internet access with a minimum quality “*best effort*”.

Regulation 2015/2120 forecasted the elimination of roaming surcharges starting June 2017 and established a maximum price calendar applicable until April 2016 and for the period from April 2016 to June 2017. It also introduced specific limitation to guarantee a reasonable use of the roaming service to prevent abuse by the users such as situations of permanent roaming. The regulation where the application of *fair use policy* as well as the methodology to ensure the *sustainability* of the elimination of the roaming surcharges for the roaming suppliers was approved by the European Commission on December 15, 2016.

The revised regulating package of electronic communications of 2009 was included in the Spanish Law Royal Decree-Law 13/2012, of March 30, which modified Act 32/2003 in this regard. This last one has been replaced by the General Telecommunications Act, which has consolidated the previous regulation and introduced related elements with the deployment of the broad band networks in the entire Spanish territory in alignment with the 2020 digital Agenda objectives.

In 2013, the EU announced its cyber security strategy, which included a series of measures, among them a new proposal regarding the Directive about security and information networks. This regulatory proposal would guarantee a reliable information society in the entire EU, where the internet providers are also subject to security requirements. This Directive was definitive application was adopted in August 2016.

In January 2012, the European commission announced the replacement proposal of Directive 95/46 of Private Data Protection with a new Data Protection General Regulation, which is applied to suppliers that process private data in the EU, regardless of said transformation taking place in the EU or not. The Regulation was published in April 2016.

One of the ten strategic priorities of the European commission for the next few years is the strategy of a *digital single market* adopted in May 6, 2015 and where several initiatives grouped in three pillars were approved: (i) improve the access of consumers and companies to the digital goods and services in all of Europe (ii) minimize the growth potential of the digital economy and (iii) create the adequate conditions and guarantee the equality of conditions so that the innovative digital networks and services can prosper. The review of the new telecommunication regulatory frame is scheduled within this pillar. In September 14, 2016, the Commission published its proposal for the review of the Telecommunications Regulatory Frame concentrated in the four current Directives (Frame, Access, Authorization and Universal Service) in the proposal Directive “European Code of Electronic Communications”. The purpose of the above mentioned Code is to promote competition, promote investment and strengthen the internal market and consumer rights.

The Commission has also presented an action plan for the deployment of 5G which foresees a common calendar for the EU for its coordinate commercial commissioning in 2020, as well as a cooperation of the Member States and the parties interested in the sector to determine and assign spectral broad bands to 5G, organize European wide trials of 5G starting 2018, promote worldwide common 5G regulations and promote the adoption of national plans for the deployment of 5G in all EU Member States.

#### *5.1.4.2.2. Competition Regulation*

The competition legislation of the EU is applied to all EU Member States.

Specifically article 101 of the Treaty of the functioning of the European Union (“**TFUE**”) prohibits all agreements between companies, decisions of joint ventures and agreed upon practices that can affect trade among the Member States and which purpose is to restrict or distort competition within the EU.

Article 102 of the TFUE prohibits the use of one or more companies in a dominant position in the European Union or a substantial part therein. Article 107 of the TFUE prohibits all help provided by a Member State or through state resources that falsifies or threatens to falsify competition, in favour of specific companies or the production of specific merchandises that affect trade among Member States.

Lastly, the Regulation of concentrations control of the EU demands that all mergers and acquisitions that comply with specific thresholds of business volume are notified to the European Commission for their review, and not to the competition national authorities. The regulation prohibits the concentrations of market if they affect real competition within the EU or a substantial part therein, particularly as a consequence of the creation of strengthening of a dominant position in the market.

The European commission as well as the National Competition Authorities and Tribunals have to apply commentary legislation about competition (even though only the European commission has the authority to apply the Law related to state subsidies).

In addition there are similar competition regulations in the national legislation of each State y and the national and regional competition authorities as well as the tribunals have the authority to supervise the compliance of these regulations.

#### *5.1.4.2.3. Spanish national regulatory authorities*

The Ministry of Energy, tourism and Digital Agenda regulates and supervises the electronic communication services. The Ministry exercises its responsibilities in tender procedure for the procurement of radio electric public domain uses rights, prepares national numbering plans, supervises the compliance of the public services obligations, approves specific standard contract with the users and has specific authority to guarantee users rights. It is also in charge

of the Operators Registry, ensures that equipments and devices comply with the regulations and exercises its responsibilities in matters of radio electric public domain administration. Regarding the audio visual sector, the Ministry is in charge of the Audiovisual Services Suppliers Registry in accordance Act General of Audiovisual Communication.

In 1996 an additional independent regulating entity was created, the Communications Market Commission (the “**CMC**”). The CMC was absorbed by the CNMC (National Commission on Markets and Competition, the “**CNMC**”, [www.cnmc.es](http://www.cnmc.es)) in 2013 according to Act 3/2013, of June 4, of the Creation of National Commission on Markets and Competition.

The previously exercised responsibilities by the CMT were assumed by the CNMC. The CNMC supervises the correct operation of the electronic communications market, the audiovisual communication market and warranties the existence of an efficient competition in all markets and productive sectors for the benefit of the consumers and users.

In matters of competition, the CNMC researches and sanctions anti-competition practices either operational or complaint, renders recommendations for the improvement of the competition conditions in the different markets and authorizes concentrations or mergers of companies performing a follow-up.

Together with the competition defence responsibilities, the CNMC exercises operations in specific markets such as the electronic communications and the audiovisual communications.

The CNMC periodically defines and analyzes the level of competition of the electronic communications market identified by the Recommendations of markets of the European commission imposing, as the case may be, specific regulatory obligations of the operators with the PSM in the corresponding reference markets and ensuring their compliance. The CNMC establishes the universal service of net cost, designs the operators liable to contribute the to the Universal Service National Fund and supervises the accounting of the operators liable for their operation. It also solves conflicts among operators in relation to matters regulated by the telecommunications sector regulations. It also exercises the responsibilities in matters of fixed and mobile portability establishing its technical characteristics and conditions. The CNMC also has specific authority to safeguard the plurality of the networks and services offers and in the scope of the network interconnections.

In the audiovisual segment, the CNMC supervises the compliance of the obligations contained under the Audiovisual Communications General Act regarding the financing and yearly broadcast of European audiovisual content, the advertisement, transparency, minors and people with disabilities rights. In addition it supervises audiovisual content with the national act and the operators' self-regulating codes. Lastly, the Spanish autonomic communities also have some responsibilities in the audiovisual sector.

#### *5.1.42.4. the 2014 Telecommunications Act*

The telecommunications liberalization process in Spain begun with the promulgation of Act 12/1997 of April 24 of telecommunications liberalization which allowed operators other than Telefónica to start offering their services at a national level.

After the approval of said act, on the same year the company Retevisión, created from the Spanish television technical network public entity, obtained the first fixed telephony license turning into the second national operator. The Telecommunications Regulating Body was also created with the purpose of promoting competition and supervising the activity of operators, safekeeping to prevent abuse from the dominating positions.

Subsequently on May 1998, LINCE (majority owner of France Telecom) turned into the third participant to come into the market and Telefónica, the state operator, was fully privatized in 1999 after a partial privatization in 1995.

The last stage towards the liberalizing of the sector corresponds to the approval of Act 11/1998 General of Telecommunications (“law 11/1998”) adopted with the sole purpose of telecommunications liberalization for the rendering of the corresponding services in full competition and under the market system, ensuring the interconnection and the access of the available networks to the public, which from this moment on could be exploited under free competition.

Act 11/1998 was replaced by Act 32/2003, with the purpose of increasing competition in the sector, reduce the barriers of the market thus consolidating the progressive liberalization started in the previous years. This act introduced in the Spanish ordinance the package of directive approved by the European commission in March 2002 (Telecom Package).

The new regulating system of the EU of 2009, was applied in Spain by reason of Royal Decree Law 13/2012, which introduced new provisions of Act 32/2003 related for example, with the neutrality in the network, measures related to the radio electric spectrum and its secondary market.

Act 32/2003 was abrogated by the act currently in effect, Act General of Telecommunications. The purpose of this Act is to (i) favour investments and facilitate the deployment of new generation networks, fixed as well as mobile, expanding its coverage, in pursuit of a greater convergence with the Digital Agenda for Europe and in compliance with the purposes of the Digital Agenda for Spain; and (ii) improve the offer of innovative services to the citizens, of a greater quality and at more affordable prices, promoting in this manner more efficient conditions of competence. Specifically, the new Telecommunications Act has the intention of, among other things, improve the competition efficiency in the Telecommunications sector, safeguard the compliance of the public service obligations (particularly those related to the universal service), promote the development of the sector, guarantee the efficient use of scarce resources (such as the numbering and spectrum), defend the rights of the users, promote technological neutrality, guarantee the integrity and security of the telecommunications networks and contribute to the development of the EU internal market.

The dispositions that were established in the development of Act 32/2003 and are still in effect are:

- Regulation about the conditions for the rendering of electronic communications, the universal service and the protection of users, approved by Royal Decree 424/2005, of April 15 and modified by Royal Decree 726/2011, of May 20.
- Rights of the users and regulation of the additional pricing services (approved by Ministry Order PRE 361/2002, of October 14, in its amended version). In May 2009, the Spanish government approved the Charter of Users rights through Royal Decree 899/2009, of May 22.
- Regulation about electronic communications markets, access to the networks and numbering approved by Royal Decree 2296/2004, of December 10.

#### Main operators

According to article 34 of Royal Decree-Law 6/2000, of June 23, of urgent measures of competition in goods and services markets, the natural persona and companies that own more than three percent (3%) of the total share capital or the voting rights of two (2) or more companies of fixed or mobile telephony are not authorized to exercise their voting rights above three percent (3%) of the total in more than one company, except when previously authorized by the CNMC.

The main operators are defined as one of the five (5) operators with greater market share in the fixed or mobile market. No natural person or company considered a main operator can appoint

members of the Board of directors from more than one main operator except when previously authorized by the CNMC.

In May 2015, the CNMC declared Telefónica de España, S.A.U., Cableuropa, S.A.U., Orange España, S.A.U., Jazz Telecom, S.A.U. together with Vodafone España, S.A.U. as main operators in the fixed line telecommunications market. At the same time it declared on May 2015 Telefónica Móviles de España, S.A.U., Orange Espagne, S.A.U., Vodafone España, S.A.U., Xfera Móviles, S.A. (Yoigo) and Lycamobile, S.L. as main operators in the market of mobile telecommunications.

#### Status of electronic communications operator

The General telecommunications Act establishes that this right will be exercised by a notification from of the relevant regulating authority.

The notification of the regulating authority must declare the compliance of the regulations application to the network service or use. If the requirements are complied with, the regulating authority records the operator in the Operators Registry. The operators can render electronic communications services and deploy electronic communications networks after the notification.

The Grupo MÁSMOVIL operators are duly recorded on the Operators Registry.

#### Interconnection

In order for the Group clients to be able to communicate with clients of other operators it is necessary for the networks to be interconnected. The access directive, under the terms of the frame Directive, harmonizes the manner in which the EU Member States regulate the interconnection between the electronic communications networks and associated installations. Its purpose is to establish a regulatory frame (in accordance to the principles of the market, relations among network and services providers for the benefit of the consumer). In accordance with the General Telecommunications Act, the public electronic communications network operators have the right and obligation (when so requested by other operators) of negotiating the interconnection for the rendering of electronic communication services with the purpose of guaranteeing the rendering of services and interoperability. The Ministry of Industry has the right, in justified cases and as necessary, to impose obligations over the companies that control the access of final users to make their services interoperable. If the operators do not reach interconnection agreements for their networks, the CNMC can establish the terms of said agreements.

On May 10, 2012, the CNMC approved the analysis of the termination markets of mobile networks, establishing a decrease of termination prices and eliminating the prices asymmetry.

In the fixed terminal market, the last market review performed on September 23, 2014, eliminated the asymmetry of prices for the interconnection of termination among alternative operators and Telefónica. It also regulated the interconnection for operators who offered VoIP. Telefónica will have the obligation of publishing the Reference Interconnection Offer (the "RIO") which establishes, among others, the technical and economical conditions for the termination interconnections services to its network.

Dated January 19, 2017 the CNMC approved the regulation of the access markets to fixed telephony (markets 1 and 2 of the 2007 European Commission Recommendation). The CNMC decided to maintain the wholesale regulation to which Telefónica is subject to in order to promote the competition in fixed telephony services markets and, in particular, the obligation of offering the Wholesale Access to the Telefónica Line ("AMLT") service at prices oriented at cost. In the case of the retail market access (market 1), which obligations are more significant (regulations of the registration quota and connection prices) they were removed on the year 2012, the CNMC eliminated the scarce obligations that were still applicable. In particular, the

reselection operator service in an isolated fashion (this means, without AMLT) is no longer regulated.

The AMLT guarantees that the alternative operators can offer to their clients the telephonic service access to their clients, in particular to those who don't have the fixed telephone service combined with the broadband. The AMLT makes possible, in addition, for the client to receive a single invoice for all fixed electronic communications it has contracted. The AMLT service is also used by the alternative operators present in the entrepreneurial service to offer voice services in the locations where the client does not need advanced data services.

#### Next generation access network and access regulation networks

The CNMC establishes the conditions in which the operator with significant market power, in this case Telefónica, must make available to other operators specific elements and services of its network, so they can provide their broadband services at a retail level.

The following can be found among this wholesale services that Telefónica has the obligation to render:

- The unbundled access to the subscriber loop;
- The wholesale indirect access or the broadband access; and
- The access to passive conduits and infrastructures.

These services are regulated under the Offer for Access to the Subscriber Loop ("**OBA**"), in the New Broadband Ethernet Service Reference Offer ("**NEBA**") and the Wholesale Offer for Access to the Telefónica Manholes and Conduits ("**MARCo**") that are periodically approved by the CNMC.

Likewise the CNMC can impose symmetric obligations, which must be complied by all telecommunications operators such as the building vertical access obligations.

The CNMC approved on February 24, 2016 the new wholesale regulation for the broadband markets (markets 3a, 3b and 4 and the Recommendation of Markets to the European commission). In accordance to the performed analysis, 66 municipalities were identified in which the CNMC considers there is competition in the new generation networks (at least three fibre networks with minimum individual coverage of 20%). In said municipalities, which are the equivalent of 35% of the Spanish population, Telefónica has no access obligations over its FTTH network. In the rest of the municipalities it will be required to provide a virtual unbundled access service (local NEBA) over its fibre network.

At the same time, the CNMC has analyzed the level of broadband competition distinguishing the "competitive area", in which there are at least two alternative operators to Telefónica with an individual market share in broadband of 10% and, in addition, the Telefónica market share cannot exceed 50% in the "non competitive area". In the competitive area, the CNMC eliminates the indirect access obligations over the copper and fibre networks. In the non-competitive area the indirect access over the fibre and copper networks obligations are maintained eliminating the until then limit in effect of 30 megabytes.

Since the broadband market for companies presents a series of characteristics that make it stand apart from the residential, the CNMC has analyzed said market separately imposing specific obligations over Telefónica.

#### Access of Virtual Mobile Operators (VMO)

In February 2017, the CNMC approved the measurement project over the wholesale regulation of the access market to mobile networks (market 15). The CNMC analyzed this market in the year 2006 and imposed a regulation that required for the three network operators existing at the time (Telefónica, Vodafone and Orange) to provide reasonable access to their mobile infrastructures. This regulation caused the opening of the market and with it the entry of the fourth network operation (Yoigo) and companies that did not have radio electric spectrum, those know as virtual mobile operators (“VMO”). Thus, these new operators started to progressively offer mobile voice and data services to their clients. Currently, the European Commission Markets Recommendation does not include the VMO market, in such a manner that the regulatory obligations could be maintained only if there are conditions where there is not market competition. In the measurement project, the CNMC considers that the access market to mobile networks moves toward efficient competition and, as a consequence, proposes its deregulation.

In any case, the CNMC would have the capacity to immediately intervene in case mobile operators unjustifiably withdrew the access to their mobile networks from the virtual mobile operators or practiced more sophisticated strategies based, for example, in an increase of wholesale access prices to the mobile network. The integration in Spain of the telecommunications sector regulator and the competition authority is the only organization that allows guaranteeing that any potentially restrictive practice of the competition is detected in a reasonable short period of time.

### Spectrum

In April 2011, Royal Decree 458/2011 about shares related with the spectrum was approved by the Council of Ministries. The purpose of Royal Decree 458/2011 was (i) the introduction of the technological neutrality principle in specific bands (currently all bands enjoy this principle), (ii) grant new concessions and, (iii) the establishment of the necessary measures in matters of spectrum to promote the development of the information society.

This Royal Decree caused the specification of frequencies licenses in 2011 in bands 800 MHz, 900 MHz, 1800 MHz at a national level and bands of 2.6 GHz at a regional level.

Subsequently in 2016 new frequencies were requested on band 2.6 GHz at a regional level and 3.5 GHz at a national level.

Currently the Group is concessionary of national frequencies on bands 1800 MHz and 2100 MHz through which it provides mobile telephony services as described in subsequent sections.

On the other hand, on December 21, 2016, Grupo MÁSMOVIL sign a buying and selling contract of company shares of Neutra Network Services, S.L.U., subject to the compliance of specific suspensive conditions, and by reason of which, in case said conditions are complied with, Grupo MÁSMOVIL will acquire a company with access to several licenses over frequencies 2.6 GHz and 3.5 GHz. It is expected for tender for frequencies of band 700 MHz (Second Digital Dividend) to take place in the next few years, and that these bands are available for use between the years 2020 and 2022.

Dated March 8, 2017 the Official Spanish Gazette (“BOE”) published the new “**Spectrum Regulation**” approved by Royal Decree 123/2017 of February 24. Its purpose is to facilitate the deployment of 5G networks and the installation of devices for the Internet of Things (“IoT”). The Regulation enables a more flexible and efficient use of radio frequencies through specific businesses such as mutualisation, this means, the possibility of making common the use of the radio electric public domain that allows offering new services and better the quality and coverage of the networks. The new Regulation also simplifies the procedures to obtain the use of the frequencies.

### Numbering

The numbering is a scarce resource and there for its assignment is managed by the Public Administration. The CNMC is the organization that assigns the numbering of the different operators.

#### Portability

By reason of the General Telecommunications Act and the Market Regulation, those subscribed to the telecommunications services to the public have the right to keep their numbers when changing operators, service or physical location, or when any of these circumstances takes place simultaneously. In addition the operators will have the obligation to share the costs derived from this service.

The CNMC approved Circulars 1/2008 ad 3/2009 that established the basic principle for number portability. It is necessary to point out that, starting on 2012, the new period for mobile telecommunications portability became of 24 hours instead of the previous period of five (5) days, and also in 2013, the CNMC approved the new procedure of fixed number portability establishing the same portability period in 24 hours.

#### Occupation right

The electronic communications operators that deploy the networks have the right to occupy the public domain, benefit from expropriation procedures and obtain crossing rights or servitude over the property of third parties subject to specific conditions.

The General Telecommunications Act also regulates the shared used of public and private property for deployment purposes.

The share use of infrastructures is formalized by an agreements among the interested operators. If said agreement is not reached, the CNMC can solve the conflict.

Within the context of the Spanish Government of reaching the objectives of the Digital Agenda and the EU Directive of 2014 over measures to facilitate the deployment, new additional measures have been introduced directed to promote the use of public property, servitudes and infrastructures (including in particular, the infrastructure of public entities property) and the simplification of administrative procedures.

#### Payments associated to regulation

The telecommunications operators have the obligation of performing specific payments. The most important ones are:

- To the CNMC a maximum quota of 0.15% (currently established at 0.1%) of its gross income discounting the interconnection and national roaming costs invoiced by registered operators as such in the CNMC.
- The holders of the spectrum concessions have the obligation of paying the associated taxes and fees, the most relevant are: Tax on Property Conveyances at the time of the concession and yearly the fee for the reservation of the spectrum and microwave fees.
- The operators' owners of the telecommunications network must assume specific fees for the use of bands (transmission radio links) and specific fees for commissioning and inspection of locations.
- The operators' retailers of telephony services are required to pay the fees for the reservation of the numbering.

- The suppliers of audiovisual services are subject to the provisions of the Spanish Radio Television Financing Act (“**RTVE**”), since September 2009, being committed to pay 0.9% of the yearly exploration gross, excluding the income obtained in wholesale markets for the financing of RTVE.
- The operators also pay a separated municipal yearly fee (obtained in each municipality) for the use of public domain. This fee has a different method of calculation depending of if its dealing with fixed telephony services (1.5% of the clients’ gross income in each municipality) or mobile telephony services, where the fee is only applied to the owners of networks and it is calculated in accordance to the calculation method of each specific municipal ordinance.

### Universal Service

The universal service is gathered under the General Telecommunications Act. It guarantees that all citizens have access to telecommunications services “regardless of their geographic location and at an affordable price”. This means taking the telecommunications network to every corner of the country, including non profitable areas and, in addition, it includes: telephone booths, telephone guides and services adapted to people with disabilities and, since 2012, broad band access. The Spanish government established under which conditions: (i) 1 megabyte of download; (ii) downloads limited to 5 GB; (iii) without fixed telephony calls; and (iv) 24.08 Euros per month if the user already has a telephone line or 36.18 Euros with the line.

Telefónica is in charge of providing all services including the universal service.

The net cost of the universal service rendering must be yearly approved by the CNMC based on the methodology established by said organization regarding the charging of costs as well as the attribution of income, including the non cash revenues, and must be based in objective, transparent, non discriminatory and proportional procedures and criteria.

The net cost for the rendering of all universal services elements, approved by the CNMC, corresponding to the past few years has been the following:

2014	2013	2012	2011	2010	2009
17.443	18.340	21.034	31.938	43.577	46.784

Datos en miles de euros. Fuente: CNMC

(In thousand Euros)

Said cost was financed by the operators: Telefónica de España, Telefónica Móviles España, Vodafone and Orange proportionally to their turnover amount.

Since the General Telecommunications Act of 2014, operators with invoicing exceeding 100 million Euros, can be appointed to finance the universal service cost. Currently the file of said procedure is being processed for specific operators required to finance the universal service cost of the year 2014. In accordance with these criteria, Xfera Móviles S.A. –“**Yoigo**”- belonging to the Group would be appointed as an operator required to finance said fund (pending liquidation for the 2014, 2015 and 2016 business years).

### Important events in the development of the Issuers’ activity

Grupo MÁSMOVIL was founded in 2006 by Meinrad Spenger and Christian Nyborg with the launch of VMO MÁSMOVIL. However, the beginning of the commercial activity did not take place until 2008 after reaching an VMO agreement with Orange. During the following years the Company focused on growing its client base with excellent results.

In 2014 it integrates within Grupo Ibercom, which had been successfully listed in the Spanish Alternative Investment Market (MAB) since March 2012.

To this followed the acquisitions in 2014 of the operators focused on the Quantum Telecom operators and the entrepreneurial market Xtra Telecom, as well as The Phone House Móvil, a virtual mobile operator focused in the residential market. In 2015 the Group acquired the regional Aragon operator Embou y Neo specialized in entrepreneurial clients.

Also in 2015, a key milestone in the recent history of the Group took place, the acquisition of the remedies package imposed by the European commission to Orange to approve the acquisition of Jazztel. These agreements allow MÁSMOVIL to acquire a significant fixed broad band network and Optical Fibre and access a wholesale contract to the Orange ADSL network under very advantageous conditions.

From this position, already in 2016, the Group face the acquisition of the virtual mobile operator Pepephone first and Yoigo after. Yoigo is the fourth Spanish network operator and has its own mobile infrastructure and band frequencies of 1800 MHz and 2100 MHz.

From an operational point of view two particularly relevant milestones took place in 2016: the launching of the MÁSMOVIL converging offer in May and the launching of the FTTH network plan.

Lastly in February 17 the acquisition of the Llamaya assets acquisition was finished, an VMO focused on the ethnic segment, mainly central American, with a relevant presence in said market, under the prepayment segment.

During this past two (2) years, the Group has been combining the success of a growth model based in its organic growth as well as a selective policy of acquisitions that has allowed it to develop a complete services offer, as well as having the necessary assets and infrastructures to compete with a cost efficient structure.

In a ten (10) year period MÁSMOVIL has become the fourth operator with national presence and in all market segments.

#### *5.1.1.3. Grupo MÁSMOVIL from 1997 to 2011*

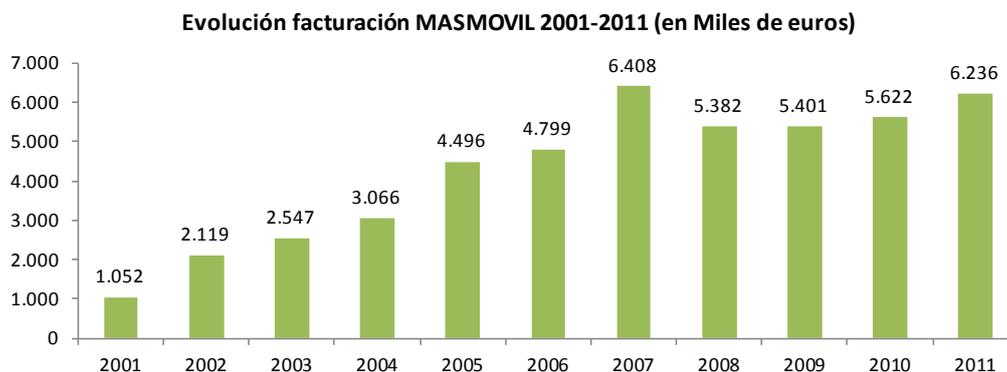
Grupo MÁSMOVIL is the fourth telecommunications services operator in Spain and the only one among the mobile network operators that does not belong to a multinational group. Through its commercial brands Yoigo, MÁSMOVIL, Pepephone and Llamaya, it provides fixed, mobile, broad band and added value communications services to clients of the residential, companies and operator segments in the entire Spanish territories.

The Group has its origin in the year 1997 with the incorporation of the fixed operator Ibercom (San Sebastián).

The initial goal of Ibercom was to offer telecommunications and internet services to small and medium size companies in the national scope. Since its creation, Ibercom maintained a continued expansion policy which had its first great milestone with the acquisition of companies such as Loop Telecom (2002) and subsequently Balada Telecomunicaciones (2005). This positioning procedure in the entrepreneurial and wholesale market ended with the acquisition of Tiscali Telecomunicaciones in the year 2007. This acquisition allowed the Company to definitively access the national telecommunications market, since it had installations, technical and commercial equipment based on Madrid.

Below is the MÁSMOVIL invoicing evolution in the 2001-2011 period:

## **Evolution of turnover MÁSMOVIL 2001-2011 (in thousand Euros)**



Fuente: Información facilitada por MASMOVIL. Cuentas anuales correspondientes

Source: Information provided by MÁSMOVIL. Relevant annual accounts

### **5.1.1.4. Grupo MÁSMOVIL from 2012 to 2015**

In march 2012 the Company WORLD WIDE WEB IBERCOM, S.A (now Grupo MÁSMOVIL) accessed the Alternative Investment Market- Companies under Expansion (“**MAB-EE**”). In compliance with the provisions of Appendix I of Circular MAB 5/2010, the Company drafted with occasion of its incorporation in the MAB-EE on March 30, 2012 the corresponding Information Document of Incorporation to the Market (the “**DIIM**”). Said document is available on the Company corporate website ([www.grupomasmovil.com](http://www.grupomasmovil.com)).

In addition and since then, in compliance with the provisions of Circular MAB 7/2016 about the information to be supplied by Companies under Expansion and SOCIMI incorporated to listing in the MAB-EE, the Company has disseminated to the market the financial periodical information (biannual and annual), relevant information and information about significant participations, with said information equally available in the above provided links.

During this 2012-2015 period, the group continued with the successful growth model based on its organic growth as well as a selective acquisitions policy that allowed it to create a first level services offer in the market. Thus in 2014 and 2015 the Group proceeded with the following acquisitions:

- **March 2014: Acquisition of MÁSMOVIL Telecom 3.0. S.A.**

Beginning of the agreement for the acquisition of up to 100% of the shares that comprised the share capital of the Virtual Mobile Operator MÁSMOVIL Telecom 3.0. S.A. (“**MÁSMOVIL Telecom**”), company founded in 2006 with the rendering of mobile telephony services mainly in the residential sector. After this integration, the Group shaped a telecommunications group focused on the company market as well as the residential sector, offering fixed and mobile telephony services, internet access and *Data Center*.

- **March 2014: Acquisition of Digital Valley Technologies, S.L.**

Acquisition of 100% of the shares of the company Digital Valley Technologies, company with registered office in Madrid that offers high quality customized website hosting services. Its services offer and web hosting plans (*Hosting, Housing, Colocation, Dedicated Servers...*) is directed towards small companies and the entrepreneur or professional that needs to offer his/her clients a complete web hosting service. Digital Valley Technologies had, in its acquisition date, a portfolio of more than 800 references to

small companies that were transferred to the infrastructure of Ibercom, and with access to the rest of the services that Ibercom offers its clients (Access-Data Center (data centres) –Fixed and mobile voice).

- **May 2014: Acquisition of Quantum Telecom, S.A.U.**

Acquisition of 100% of the wholesale telecommunications operator Quantum Telecom, S.A. (“**Quantum**”) and specific telecommunications activities of the technological group Spin21, S.L. (“**Spin21**”). Quantum, with approximated sales of 45.6 million Euros in the 2013 business years and an EBITDA of 1.3 million Euros, is a wholesale telecommunications operator specialized in international traffic .

- **August 2014: Acquisition of Xtra Telecom, S.L.U.**

Beginning of an agreement with The Phone House Holdings (UK) for the acquisition of 100% of the telecommunications operator Xtra Telecom, which closed the 2013-2014 business years with sales of 78.2 million Euros and an EBITDA of 3.8 million Euros. The acquisition allowed MÁSMOVIL to double its size, which meant a very relevant step towards the implementation of its strategic plan to turn into one of the main operators in Spain. Likewise, the acquisition, due to the high complementation of the businesses Xtra Telecom and MÁSMOVIL, allowed generating relevant operational, industrial and commercial synergies.

- **August 2014: Acquisition of The Phone House Móvil, S.L.U.**

Acquisition of 100% of the The Phone House Movil, S.L.U. (“**Phone House**”) telecommunications operator and The Phone House Holdings (UK). Phone House is an expert in the service of mobile telephony services to private citizens and cable-operators and which at the time of the acquisition it had more than 100 000 clients. This acquisition allowed MÁSMOVIL to position itself in the immigration segment with the commercialization strength of the Phone House stores and expand its brands with “Happy Móvil” and “Cablemóvil” among others.

- **December 2014: Acquisition of the applications Upptalk and the VMO Uppmobile and Uppwireless**

The Group acquired on December 2014 the applications Upptalk and Virtual Mobile Operators (“**OMVs**”) Uppmobile and Uppwireless. The operation allowed incorporated to the Group innovative services in the field of the called “*mobile VoIP*” or voice over IP applied to mobile telephones; field with a great potential for growth.

The acquisition perimeter included the assets of these companies (including contracts, licenses, equipment, part of the personnel, patents and intellectual property right and all its technological *know-how*). The group acquired 49% of said assets and the remaining 51% were acquired by INVEREADY (through its company INVEREADY SEED CAPITAL, S.C.R., DE RÉGIMEN COMÚN, S.A.). INVEREADY is shareholder of the Group since 2010 and its current shareholding participation is of approximately 2.7% of the share capital including the funds and invertors counselled by it.

- **April 2015: Acquisition of Embou Nuevas Tecnologías, S.L.**

Acquisition by Grupo MÁSMOVIL of 100% of the telecommunications operator Embou Nuevas Tecnologías, S.L. (“**Embou**”), telecommunications operator of Aragón and leader of the rural areas of this Autonomous Community. Embou provided to MÁSMOVIL the experience in the deployment and management of optical fibre networks, that it considers relevant for the Groups’ future. The acquisition allowed the Group to aspire to turn into

the second operator of Aragón, with a complete offer of the broad band services (based on fibre, copper/ADSL, wimax), fixed and mobile.

- **April 2015: Acquisition of Ebesis Sistemas, S.L.**

Acquisition by Grupo MÁSMOVIL of 100% of Ebesis Sistemas, S.L. ("**Ebesis**"), *Data Center* and supplier of the cloud infrastructure for Aragón companies.

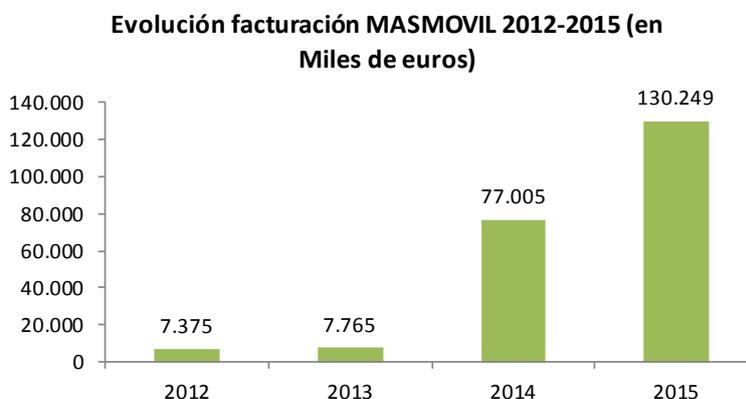
- **May 2015: Acquisition of Neo Operador de Telecomunicaciones, S.L.**

Agreement reached for the acquisition of 100% of Neo Operador de Telecomunicaciones, S.L.U. ("**Neo**"). It is an operator of telecommunications specialized in the segment of companies and in public administrations and that it bases its main offer of internet access in a network infrastructure over the frequency of 3.5 GHz for which it has granted a contract a wholesale operator contract of Grupo Neo-Sky (now "**Iberfibra**").

The price agreed between the parties was of 28.6 million Euros. The operation was structured by a combination of cash payment and shares, which is detailed below: a) The part of the operation paid in cash (7.5 million Euros), was financed with the position of the Group treasury and without resourcing to additional financial indebtedness; b) The part of the payment in shares was performed by the issuing of 1 252 606 shares in a share capital increase which was fully subscribed by Neo-Sky.

Below is the invoicing of the Group in the period of 2012-2015 where the exponential increase of income derived from the performed acquisitions can be seen:

#### **Evolution of turnover MÁSMOVIL 2012-2015 (in thousand Euros)**



Fuente: Información facilitada por MASMOVIL. Cuentas anuales correspondientes

Source: Information provided by MÁSMOVIL. Relevant annual accounts

#### **5.1.1.5. Grupo MÁSMOVIL currently. Recent events**

Between **2015 and 2016** it is necessary to point out the agreements for the assignment of broad band of Orange/Jazztel, within the frame of the *remedies* imposed by the European commission to authorize the acquisition of Jazztel by Orange. In the year 2016 it is necessary to point out the following agreements: i) new generation networks mutualisation (FTTH) with Orange (July 2016); ii) global agreement with Orange about *national roaming*, *site sharing* and FTTH (October 2016), iii) cooperation agreement with Telefónica (December 2016) regarding tits companies Yoigo and Pepephone.

These investment represented a substantial push of the fixed broad band business for Grupo MÁSMOVIL, aspect that is framed within the strategy to place itself as the fourth operator in Spain under a complete services offer and the national scope similar to the reference or dominating operators. For a greater detail about the investment performed and the transformational milestone that they represented see section 5.2 of this Prospectus.

Dated **April 28, 2016**, the Grupo notified to the market the binding agreement reached for the acquisition of 100% of the shares that comprise the Pepe World, S.L., Pepe Mobile, S.L., Pepe Latam, S.L. and Pepe Energy, S.L. ("**Pepephone**") share capital. Pepephone, created in 2007, was, at the time of its acquisition, one of the largest virtual mobile operators in Spain.

This way MÁSMOVIL manages to consolidate its position as the fourth converging operator in Spain, with the successful development of its broad band expansion.

Dated **September 13, 2016**, Grupo MÁSMOVIL reported to have finally completed the acquisition of 100% of the shares of Pepe World, S.L., Pepe Mobile, S.L. and Pepe Energy, S.L. (94,99%). The net cost of the operation was of 148 million Euros.

This acquired group, that operates under the brand of Pepephone, offers the market two (2) types of differentiated services:

- Mobile voice services (3G/4G) through agreements signed with Telefónica; and
- ADSL, through the MÁSMOVIL network (until March 31, 2017 it used the network of the Vodafone operator).

With a staff of 22 people, the company invoiced 62.4 million Euros in 2015 reaching and EBITDA of 13.2 million Euros (21% of the turnover amount). At the end of 2015 Pepephone had a client base of mobile voice of 460 000 clients, of which more than 95% were clients with a contract and close to 35 000 broad band clients (ADSL). Pepephone recorded in said year one of the lowest client rotation rates in the industry and has been distinguished in several occasions with different prizes as a result of the high quality of the services offered in the market.

In addition, dated **June 21, 2016**, Grupo MÁSMOVIL notified to the market the beginning of the binding agreement reached for the acquisition of 100% of the shares that comprise the share capital of Xfera Móviles, S.A. ("**Yoigo**"), and the participating loans received from its shareholders. Yoigo ([www.Yoigo.com](http://www.Yoigo.com)) is the fourth mobile operation in Spain and had an active portfolio of mobile clients close to 3.3 million. Said agreement was executed in the month of **October 2016** after receiving all necessary authorizations under the Competition regulations. The net cost of the operation was of 567 million Euros.

This company that operates under the Yoigo brand, offers voice and mobile data (3G/4G) to the market basically through its own network, having several agreements with Telefónica and Orange for the traffic that does not use its own network.

Yoigo, was the fourth operator of mobile telephony and internet (4G) in Spain during the 2015 business year, with a license of its own network for technologies GSM/2G, UMTS/3G and LTE/4G and a national roaming license to use the GSM and UMTS networks. With a staff comprised by 103 people, the company invoiced 865 million Euros in 2015 reaching an EBITDA of 83.4 million Euros (approximately 10% of the net turnover amount). In addition, Yoigo had, at the end of 2015, a client base of mobile voice of approximately 3.3 million clients, of which around 67% were clients with a contract.

With this acquisition MÁSMOVIL combines its fixed assets and broad band with the Yoigo mobiles assets to create a really convergent operator which profits from economies of scale, reaching a relevant critical mass that will allow the Company to continue its growth path and configure a solid competitor in the Spanish telecommunications market.

For the financing of the acquisitions associated to Yoigo and Pepephone, MÁSMOVIL has managed to ensure a balanced financial structure, counting with the risk capital fund Providence Equity Partners ([www.provequity.com](http://www.provequity.com)) as reference shareholder and the participation of Grupo ACS ([www.grupoacs.com](http://www.grupoacs.com)) as holder of a convertible debt.

In this regard the corporate transactions, which represented a joint cost of 752 686 thousand of Euros (594 686 thousand of Euros in the case of Yoigo and 158 000 thousand of Euros in the case of Pepephone) as well as the deployment of the FTTH infrastructures were financed by a balance combination of capital, Convertible instruments in Group shares, indebtedness with credit entities and issuing of securities in the capital markets. Specifically, the Group issued financial instruments for an amount of 935 082 thousand of Euros of which 897 082 thousand of Euros were issued in the 2016 business year and 38 000 thousand of Euros, were issued by the Group in March 9, 2017.

This financing structured is provided in detail under section 10.1.1 “Net Equity” and 10.1.2 “Indebtedness” of this Informational Prospectus.

On the other hand, dated **January 31, 2017**, MÁSMOVIL completed the acquisition of Llamaya Móvil, S.L.U. of the assets that jointly comprise the business unit corresponding to the virtual mobile operator activity which said company was performing and that it operated under the brand of Llamaya (“**Llamaya**”). Llamaya is a VMO focused in the ethnic segment, mainly central America, with a relevant presence in said market, in the pre-payment segment. The Llamaya portfolio of clients reached 170 000 active assets at the time of the acquisition.

The price of the acquisition of the assets amounted to 29.7 million Euros (24.9 million Euros in cash and 4.8 million Euros by a deferred payment to be paid eighteen months after closing the transaction), plus an *earn-out* regarding the evolution of specific operational parameters. This *earn-out*, payable in this case during the business years of 2018 and 2019, could amount to 12 million Euros of which 4.5 million Euros would be in cash and the rest in cash of shares by choice of MÁSMOVIL, resulting in a maximum multiple EV/EBITDA under 4x (once the roaming savings have been reached which are expected to be reached during 2017, ending this process at the end of 2017).

## **5.2. Investments**

Description, (including the amount) of the main investment of the Issuer in each business year for the period covered by the historical financial information until the date of the registration document

The total investment (registration) if the first quarter of 2017, as well as the business years closed on December 31, 2016, 2015 and 2014, including tangible and intangible assets at their investment cost, is summarized in the next chart:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish. In the event of discrepancy, the Spanish version will prevail.*

(Thousand euros)	2017 (3m)	2016	2015	2014
Constructions	0	0	4	0
Plants and machinery	728	13.219	2.527	767
Other facilities, tools and furniture	20	462	813	62
Other fixed assets	0	855	633	146
Optic fiber network	9.306	18.898	89.186	0
In-progress fixed assets and advances	6.951	28.852	101	0
<b>Tangible fixed assets</b>	<b>17.005</b>	<b>62.286</b>	<b>93.264</b>	<b>975</b>
Software	1.592	8.020	1.054	704
Patents, trademarks and licenses	0	0	716	4
Development	588	3.178	2.258	2.049
Other intangible fixed assets	8.244	15.857	3.764	995
Rights of use	0	0	20.215	0
<b>Intangible fixed assets</b>	<b>10.424</b>	<b>27.055</b>	<b>28.007</b>	<b>3.752</b>
<b>Total investment</b>	<b>27.429</b>	<b>89.341</b>	<b>121.271</b>	<b>4.727</b>

In the past years the Group has executed a growth strategy based not only in its organic growth, but also, and in a complementary fashion to the organic growth strategy, in the incorporation to its consolidation perimeter of new companies that complement the different business lines and the different markets serviced by the Group, with its corresponding impact in acquisitions as a result of the investment performed and the business combinations that took place during said period.

The main investments in tangible fixed assets of the business years of 2017 (three months until March 31, 2017), 2016, 2015 and 2014 corresponded to:

- Under the section technical installations and machinery, basically, to the deployment and optimization of the mobile telephony network, which includes the expansion of the coverage with 4G technology.
- Under the section optical fibre network, the cost of acquisition of the elements that comprise the optical fibre network acquired from Jazz Telecom, S.A.U. plus the capitalized expenses of the commissioning of the network, based on the buying and selling contract formalized during the 2015 business year for an amount of 89 million Euros, Vat not included.
- Under the section of ongoing fixed assets, mainly the jobs related to the deployment of the network performed in MASMOVIL Broadband, S.A. as well as the degree of progress of the works for the assets of the Yoigo mobile telephony network. The ongoing tangible assets will be transferred to technical installations under operation as the construction of the network and its final delivery advances.

On the other hand, the main entries of the intangible assets section during the 2017 (three months until March 31, 2017), 2016, 2015 and 2014 business years corresponded to:

- Computer applications: mainly correspond to the investments in acquisitions and the development of necessary computer solutions for the telecommunications operator activities. Thus, in 2016 the investments in applications, corporate projects and system integration projects were activated with Yoigo and Pepephone.
- Development: This section basically includes the software projects expenses related with its telephony business form which income is expected to be obtained in the future. The Company has performed the development works related with different projects for an amount of 588 thousand of Euros, 3178 thousand of Euros, 2258 thousand of Euros, 2049 thousand of Euros in 2017 (3 months), 2016, 2015 and 2014 respectively.
- Other intangible assets: Other intangible assets includes the assessment that have been made of the portfolio of clients received in the business combinations. Said assessment has been performed by estimates of the flows generated by said clients. On December

31, 2016 the registrations of the incremental and specific costs related to clients contracts amount to a 9993 thousand of Euros (2647 thousand of Euros on December 31, 2015 and 1723 thousand of Euros on December 31, 2014).

- Right of use: includes the indirect right of use over the copper network of Telefónica de España S.A., derived from the frame contract signed on July 31, 2015 and which acquisition price was 29 000 thousand of Euros (VAT not included). The Group recorded this assets at its acquisition cost that is the reasonable equivalent of the received consideration, which has been calculated with the current value of future flows to be paid discounted at a market rate (approximately 6.5%), which amounted to 20 215 thousand of Euros in 2015.

Those agreements described in a period which has had an impact on the fixed assets sections or which will represented a considerable amount of savings in the future are furthered detailed Thus, in the year **2016**, it is necessary to mention the following agreements (the reading of section 22.1 of this Information Prospectus is recommended to complement this information):

**Agreement for the mutualisation of fixed new generation telecommunications networks (FTTH “Fibre to the home”) with Orange (June 6, 2016):**

In June 6, 2016, derived from the agreements comprising the *Remedies* package related with the acquisition of assets by MÁSMOVIL in the context of the acquisition operation of Jazztel Comunicaciones S.A.U. by Orange, MÁSMOVIL signed a contract with Orange fir the mutualisation of the new generation networks (“FTTH”) for a total maximum of 1 million building units (“UUII”). Dated October 7, 2016, an Addendum was subscribe to said contract, by reason of which its scope was increased. As a consequence of the signing of the mutualisation contract together with its Addendum:

- MÁSMOVIL Broadband will deploy by itself a maximum of 1 250 000 UUII until the year 2019, mainly in areas of low competition (small populations), reaching an expected total investment of 106 250 000 Euros.
- For this infrastructure it is agreed with Orange to grant an irrevocable use of 20 year (plus three extensions of 10 years each). Te agreement establishes a payment for the provision of the use right by Orange per UI that can result in a total maximum payment by Orange to MÁSMOVIL of 113 500 000 Euros and the payment for the maintenance of the network based on the proportion of clients.
- On the other hand, MÁSMOVIL Broadband will acquire a right of irrevocable use for 20 years (plus three extensions of 10 years) over FTTH infrastructures of Orange, the existing network as well as the new one to develop within the current plan the deployment of Orange itself, reaching said agreement up to a maximum of 2 250 000 UUII. Oranges’ deployment is centred in areas of high competition (large populations).
- A payment is established, for the use right provision, by MÁSMOVIL Broadband for each UI to Orange, being able to reach a total payment of up to 181 500 000 Euros. A payment for the maintenance of the network is established in proportion to the number of clients.

**Services contract for the access to the fibre network (FTTH) of Orange (October 7, 2016):**

Dated October 7, 2016 and as a complement to the mutualisation contract, several contracts were subscribed by reason of which the contracting by MÁSMOVIL Broadband to Orange establishes a fibre service access in the regulated and unregulated areas (as they are defined in the CNMC Resolution dated February 24, 2016), as long as Orange has FTTH coverage. In the case of service rendering to access fibre in the unregulated area a limitation of 250 000 simultaneous active lines during the first three years since the signing of the Addendum.

The monthly amount to be paid by MÁSMOVIL Broadband is calculated in relation to the unit prices. Currently the price the price paid monthly by MÁSMOVIL Broadband to Orange is of 722 100 Euros.

**Site sharing contract with Orange (October 7, 2016):**

Contract between Orange Espagne, S.A.U.(Orange), MÁSMOVIL Telecom 3,0, S.A.U. and MÁSMOVIL Ibercom, S.A. for the rendering of transfer services and the use of telecommunications infrastructure which purpose is to establish the general operation conditions under which Orange will grant to MÁSMOVIL the non exclusive use of some elements of the infrastructure of its mobile network to facilitate the exploitation by MÁSMOVIL of the mobile electronic communications services for which it is enabled and establishes the conditions for the rendering of Orange to MÁSMOVIL of the transmission services either in share locations with Orange or with the presence of Orange equipment. By reason of this contract MÁSMOVIL Telecom, 3,0., S.A.U. commits to pay to Orange the economic unit considerations agreed in each assignment of location space and each transmission connection. Currently, the annual cost of by subscribed location space assignment contracts amounts to 929 223 28 Euros, not having signed any individual transfer contract.

**National roaming contract with Orange (October 7, 2016):**

Contract between Orange Espagne, S.A.U. (Orange), MÁSMOVIL Telecom 3,0, S.A.U., Xfera Móviles, S.A.U. and MÁSMOVIL Ibercom, S.A for the rendering of the national roaming wholesale service to Grupo MÁSMOVIL, which purpose is the establishment of the terms and conditions under which Orange will provide to Grupo MÁSMOVIL a National Roaming service understanding this as the connectivity service to the mobile telephony services of Grupo MÁSMOVIL, which the later one requests at each time and that are found within the mobile telephony network of Orange. Grupo MÁSMOVIL commits to a minimum invoicing of 367.1 million Euros since July 1, 2017 until June 30, 2021, reviewable according to the contract established requirements.

On the other hand, in **2015** it is necessary to point out the fixed broad ban assets assignment of Orange/Jazztel, within the frame of the *remedies* imposed by the European commission to authorize the acquisition of Jazztel by Orange:

- **Acquisition of the optical fibre network (FTTH)** deployed by Jazztel in 13 locations in five (5) of the largest Spanish cities (Madrid, Barcelona, Valencia, Seville and Malaga). This high speed network provided access to about 720 000 homes. The investment amounted to 89 million Euros (and was reflected in the Group as material assets), which was effectively reduced to around 20 million Euros which were paid (without taking into account the corresponding taxes) when it was agreed with Orange its access to said network, representing a payment by orange of around 69 million Euros (plus the corresponding taxes).
- **Wholesale access to the xDSL copper network (ULL centres)**, through an agreement by which MÁSMOVIL obtains, for a period of four (4) years (renewable for another four (4) years), preferential access to the entire Jazztel copper network (1123 ULL centres with access to 18.6 million homes). This investment, at the current net value, was recorded in the MÁSMOVIL accounting for a total amount of 20 215 thousand of Euros within the section of intangible assets.

In general, these investments represented a substantial boost for the fixed broad band business of Grupo MÁSMOVIL, situation that is within the strategy of placing itself as the fourth telecommunications operators in Spain with a complete service offer a national reach similar to the other reference of dominant operators.

With this network infrastructure, MÁSMOVIL has endowed itself with an operational capacity in the fixed broad band market under favourable conditions regarding in terms of the market share, geographic reach, technological diversification, cost and time saving.

The acquisition of the network infrastructure, as well as the access to the Jazztel assets, means endowing the Group with an extensive commercial coverage in fibre (FTTH) as well as xDSL, under an immediate access scenario and with favourable economic conditions, situation that allows to clearly break the main barriers to enter the sector (cost and development time). On the other hand, as it has been detailed before, the mutualisation agreements with Orange have allowed the containment of the investment in new planner network deployments as a consequence of a lower net investment per UUll (once the income for the sale of the IRU to Orange has been deducted) and a contribution to the variability of the network maintenance costs as a consequence of sharing said costs with Orange in all its mutualised FTTH structures, aspects that contribute to the reduction of investment risks in FTTH networks, with their profitability directly linked to the level of clients they service.

On the other hand, during this past 3 years, the Group has performed important financial investments in the acquisition of 100% of different companies, which shares are adjusted in the presentation of the Group Consolidated annual accounts. Section "Other noncurrent investments" of the March 31, 2017, December 31, 2016, 2015 and 2014 balance sheets for amounts of 16, 17, 3 and 2 million Euros respectively is detailed on said dates as follows:

(Thousand euros)	2017 (3m)	2016	2015	2014
Equity instruments	2.169	2.172	1.705	1.319
Deposits and guarantees	1.931	1.958	911	587
Other financial assets	12.082	12.852	326	313
<b>Total other non-current investments</b>	<b>16.182</b>	<b>16.982</b>	<b>2.942</b>	<b>2.219</b>

Source: MASMOVIL Group

The most relevant concepts of the balance on December 31, 2016 related to other financial assets correspond to: option over 100% of the shares of Neutra Network Services S.L.U. for an amount of 4 million Euros; the long term terminals financing quotas for 6 million Euros and 3 million Euros for a compensatory asset derived from the tax contingency arisen from the business of Neo Operador de Telecomunicaciones, S.L.U. which is registered under the section of provisions for that same amount and that is guaranteed by the former Neo shareholders.

See a greater detail of the relevant contracts under section 22 of this Registration document and a detail of the business combinations in the period under section 9 of this Document.

Description of the ongoing main investments of the Issuer, including the distribution of these geographic investments (domestic and abroad) and the financing method (internal or external)

As stipulated under section 5.2.1 above, the main ongoing investments of the Company are focused on:

- *Remedies*: additional payment estimated in 15 million Euros to complete the number of UUll pending deployment corresponding to 13 acquired centres, according to the frame imposed by the European commission, within the agreement of *remedies* for the acquisition operation of Jazztel by Orange and that corresponds to additional UUll regarding the ones initially included in the agreement as well as those acquired subsequently until the end of 2016. It is necessary to point out that MÁSMOVIL has no obligation to acquire additional UUll in this context.

- The Company has an investment plan for the expansion of the optical fibre network. According to the mutualisation agreement of the year 2016 with Orange, the investments estimated for the 2017-2018 period between both companies would be the following:
  - Deployment by MÁSMOVIL of optical fibre for a estimated investment of 46 million Euros to be paid by Orange. It is important to point out that the co-investment agreements with Orange imply that this last one will acquire a right over the use of this network and that it will be prepayment by Orange.
  - Development by Orange of the optical fibre network, which will represent an investment by MÁSMOVIL of 46 million Euros during the period of 2017-2018 in the acquisition of rights over said network developed by Orange.
- In this regard, it is important to point out that the investment listed in the previous sections will be partially compensated by the granting to Orange of IRU over: (i) the new UUII acquired from Orange within the frame of the remedies agreement, (ii) as well as the IRU granted by Orange over the networks developed by MÁSMOVIL itself. Specifically, the concession of the IRU to Orange will represent a level of income for MÁSMOVIL, that would cover more than 50% of the previously detailed investment.
- Among other questions, during 2017, Grupo MÁSMOVIL will invest 13 million Euros in its mobile access network, encompassing the following activities:
  - Deployment of new 4G locations (finalizing the current stage of 300 planned locations);
  - Continue with the deployment of 4G that already exist only with 3G;
  - Capacity expansion (radio and transmission and software update);
  - Participation in special project: 4G coverage in the Barcelona Subway.

10 million Euros will be additionally invested regarding the mobile network core IP, destined to:

- Expansion of the capacity associated to the growth of data traffic;
- Introduction of the service for virtual operators;
- Expansion of the MPLS network (*multiprotocol label switching* or commutation multi-protocol by labels) and *software* update.

On December 31, 2016 the Group maintained established acquisition covenants over fixed assets for an amount of 9967 thousand of Euros, derived from the expansion of its telecommunications network for the next few years.

On March 31, 2017, the Company has incurred in approximately 17 million Euros of assets investments within the ongoing investments and fixed assets covenants previously mentioned (in total, approximately 94 million Euros), which will be divided in: i) 2.7 million Euros under the concept of *remedies*; ii) 12.4 million Euros for the expansion of the optical fibre network; iii) 1.9 million Euros in mobile access networks. The Company has financed the entirety of the investments with its business operations and it is the intention of the Company to continue with the same policy.

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Information about main future investments of the Issuer over which its administrative bodies have already adopted sound covenants

As mentioned under section 5.2.2, the ongoing investments and the sound acquisition covenants for the period of 2017-2018 will amount to an approximated total of 94 million Euros. Dated March 31, 2017, the Company has incurred close to 17 million Euros related regarding said investments. See additional fixed assets registrations in the first quarter of 2017 under sections 5.2.1 and 8.

## 6. BUSINESS DESCRIPTION

### 6.1. Main activities

Description and key factors related to the character of the Issuer operations and its main activities, declaring the main categories of sold products and/or services rendered in each business year during the period covered by the historical financial information

#### 6.1.1.1. Introduction

Grupo MÁSMOVIL is the fourth telecommunications services operator in Spain and the only independent one that does not belong to a multinational group. Through its commercial brands Yoigo, MÁSMOVIL, Pepephone and Llamaya, it renders fixed, mobile, broad band and added value services to clients of the residential, entrepreneurial and operators segments in the entire Spanish territory.

On December 31, 2016, the Grupo had a portfolio of close to 4.42 million clients, the largest part of which belonged to the residential segment. The commercialization of convergent services are particularly driven in this segment, which group fixed, mobiles and broad band services. The Group launched this services in 2016 under the brand of MÁSMOVIL, and starting on 2017 also under the brands of Yoigo and Pepephone.

In addition, the Group provides to business clients and other operators a complete portfolio of services adequate to their needs, including fixed, mobile, broad band, Ethernet lines (cable that intensifies the signal that is received by an equipment regarding the connection to the internet), backup, hosting, private virtual networks and other wholesale services.

The following chart details the Group clients by type:

Number of lines / accesses (in millions)	2017 (3m)	2016	2015	% 17-15 crecimiento
Post-payment mobile lines	3,42	3,34	2,97	15%
Pre-payment mobile lines	1,05	0,95	1,24	-15%
Broadband access	0,19	0,12	0,04	375%
<b>Total customers</b>	<b>4,66</b>	<b>4,42</b>	<b>4,24</b>	<b>10%</b>

The Group located its turnover consolidated amount for the 2016 business year in 401 million Euros (130 million Euros in 2015), with an EBITDA of 657 thousand of Euros, sum that amounted to 31 million Euros in terms of recurring EBITDA (11 million Euros in 2015). In pro-forma terms (this means, assuming the incorporation of acquisitions performed in 2016 as if it had been consolidated from January 1, 2016), the turnover amount would have summed 1120 million Euros and the recurring EBITDA (this means, excluding the nonrecurring extraordinary costs) to 119 million Euros.

Most of the Group income, specifically 70% (in terms reported for 2016), come from services sales income, while the remaining 30% comes from the sales of terminals associated to mobile services and other wholesale operators in the sector. In the first three months of 2017, the percentage of income for services amounts to 77%.

Thousand euros	2017(3m)	2016 (3m)	2017 (3m) %	2016 (3m) %
Income from services	228,418	20,700	77%	61%
Income from other sources	68,439	13,224	23%	39%
<b>Total income</b>	<b>296,857</b>	<b>33,924</b>	<b>100%</b>	<b>100%</b>

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Thousand euros	Pro forma 2016	2016	2015	Pro forma 2016 (%)	2016 (%)	2015 (%)
Income from services	837.957	282.500	72.423	75%	70%	56%
Income from other sources	282.047	118.520	57.826	25%	30%	44%
<b>Total income</b>	<b>1.120.004</b>	<b>401.020</b>	<b>130.249</b>	100%	100%	100%

The Group has its own last generation 4G mobile network, comprised by more than 4700 locations, that allow providing a coverage to 85% of the Spanish population and owns its own spectrum in bands 1.8 and 2.1 GHz at a national level. In addition, the group has a high speed fibre network (FTTH) under expansion, that currently covers around one million homes. Said own infrastructure is complemented with several wholesale arrangements with Orange to market ADSL and over Fibre services:

- 82% population coverage with ADSL and;
- 6.5 million real-estate units covered with fibre.

#### 6.1.1.2. *The telecommunications sector*

Spain is the fifth economy of the European Union with a GDP exceeding 1 113 851 million Euros in 2016, chaining three year of consecutive growth. The National Statistic Institute ("**INE**" [www.ine.es](http://www.ine.es)) estimates that the growth of the year 2017 will be of 3.2% at the same level of 2015. The unemployment rate in 2016 was of 18.9% according to the INE, having suffered a continuous improvement since the 25.8% it reached in 2012.

During 2016, it is necessary to point out the good evolution of the retailer consumer, specifically on December 22016 with a growth of 2.9% of the retail consumption in relation to the previous year, this trend currently continues.

Currently the telecommunications have become a first necessity service and, therefore, the evolution of the sector is resistant and less cyclical than private general consumption. In any case, said sector will be favourably affected by this consumption increase trend.

According to the national market regulating organization, the CNMC, the total invoice of the telecommunications and audiovisual sector in 2015 was of 30 790 million Euros, practically the same than in 2014, braking the negative trend that had been recorded since 2009, having maintained this growing trend during 2016. In the second quarter of 2016 a positive inter annual growth took place for the first time in fixed as well as mobile telecommunications.

The main segment regarding the volume of income are retail telecommunications with 17 490 million Euros which represent 57% of the total.

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Income of the Sector (in billion euros)	2015	2014	2013	2012	2011	2010	% of total 2015
<b>Fixed communications</b>	<b>8,28</b>	<b>8,57</b>	<b>9,24</b>	<b>10,05</b>	<b>10,79</b>	<b>11,43</b>	<b>26,90%</b>
Fixed telephone network	3,08	3,47	4,19	4,83	5,39	5,85	
Fixed broadband	3,8	3,64	3,56	3,66	3,83	4,01	
Company's communications	1,38	1,43	1,45	1,5	1,5	1,5	
Tel. Info. services	0,03	0,03	0,04	0,05	0,06	0,07	
<b>Mobile communications</b>	<b>9,21</b>	<b>9,78</b>	<b>10,89</b>	<b>12,25</b>	<b>13,45</b>	<b>14,02</b>	<b>29,90%</b>
Mobile Telephone network	5,19	6,16	7,58	9,49	11,31	12,35	
Mobile Broadband	4,01	3,62	3,31	2,77	2,14	1,68	
<b>Retail Teleco. Services</b>	<b>17,49</b>	<b>18,35</b>	<b>20,12</b>	<b>22,3</b>	<b>24,24</b>	<b>25,46</b>	<b>56,80%</b>
<b>Wholesale Teleco. Services</b>	<b>5,46</b>	<b>5,34</b>	<b>5,59</b>	<b>6,01</b>	<b>6,41</b>	<b>6,49</b>	<b>17,70%</b>
<b>Total Teleco services.</b>	<b>22,95</b>	<b>23,69</b>	<b>25,72</b>	<b>28,31</b>	<b>30,64</b>	<b>31,95</b>	<b>74,50%</b>
Annual growth %	-3,10%	-7,90%	-9,20%	-7,60%	-4,10%		
<b>Sale and lease of equipment and others</b>	<b>3,65</b>	<b>3,41</b>	<b>3,52</b>	<b>3,2</b>	<b>3,18</b>	<b>3,43</b>	<b>11,90%</b>
<b>Audiovisual services</b>	<b>4,22</b>	<b>3,79</b>	<b>3,61</b>	<b>3,76</b>	<b>4,13</b>	<b>4,42</b>	<b>13,70%</b>
<b>Total</b>	<b>30,79</b>	<b>30,81</b>	<b>32,75</b>	<b>35,19</b>	<b>37,91</b>	<b>39,8</b>	<b>100,00%</b>
Annual growth %	-0,10%	-5,90%	-6,90%	-7,20%	-4,80%		

Source: CNMC

In the services scope, the Spanish telecommunications market has decisively advanced toward the convergence of fixed, mobile and, eventually, TV, particularly driven since the launching of the "Fusion" service on October 2012 by Telefónica, offering prices in its grouped offers that were inferior to the aggregated price of the individual services.

Starting with the launch of Fusion the market suffered a progressive erosion of prices for years since the other operators started promoting their converging offers. This erosion took place until 2015, time from which a stabilization and progressive recovery took place with operators beginning to increase their functionalities (i.e.: TV or greater speeds of up to 300 Mbps), and in parallel the prices of their converging prices.

Between 2014 and 2015, the sector suffered an intense period of consolidation in Spain. The acquisition of Digital + by Telefónica, of Ono by Vodafone and of Jazztel by Orange represented relevant changes in the sector competitive environment. Subsequently, Euskaltel, after going public, formalized the acquisition of the Gallegan operator R Cable. Lastly, Zegona, British holding specialized in the telecommunications sector, closed the acquisition of Telecable.

The combined value of all these operations exceeded 14000 million Euros in only two (2) years, providing evidence regarding the depth of the experienced change:

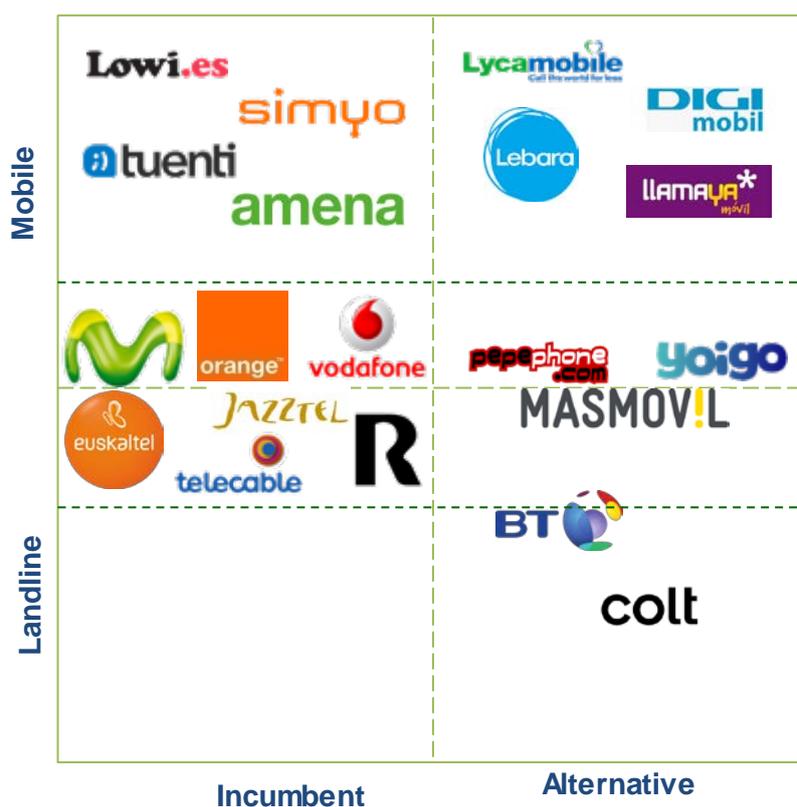
**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Buyer	Acquired company	Date of announcement	Value (in million euros)
MASMOVIL	Xfera Móvil	05/10/2016	595
MASMOVIL	Pepeworld	13/09/2016	158
Zegona	Telecable	27/07/2015	640
Euskaltel	R Cable	24/07/2015	1.155
Euskaltel	Salida a b	01/07/2015	1.202
Orange	Jazztel	19/05/2015	3.400
Telefónica	Digital +	23/04/2015	750
Vodafone	Ono	23/07/2014	7.200

Source: data published by the companies on their corporate websites and news released in online media

Even though the Spanish telecommunications sector is still characterized by the acquisition of a historical operator which maintains a leading positions in the fixed telephony, internet, mobile telephony and pay per view TV markets, the consolidation procedure in the past few years has created three large groups Movistar, Orange and Vodafone, who have acquired similar sizes and concentrate 95% of the broad band lines and 83.3% of the mobile ones. In this last segment, the remaining 16.7% of the market share was distributed between Yoigo (with its own network) and the VMO, according to CNMC data of march 2016.

The following image places the main actors of the Sector in Spain. On the one hand we have the traditional operators, the three large multinational groups with the main brands focused in the converging market and its second and even third brands (Lowi, Tuenti, Simyo and Amena), which have mainly focused in the mobile sector in the value added share and lower price. This group also includes the three north cable operators (Euskaltel, R and Telecable) that exercise their dominating positions in their respective territories. On the other hand we have the challengers or alternative operators, among which we can find the three brands of Grupo MÁSMOVIL competing also in the fixed as well as the mobile and other two large subgroups: the ethnic mobile operators (Lyca, Lebara, Digi and Llamaya mainly) and the operators specialized in the companies market (BT and Colt)



Note: "incumbent operator" is an operator that responds to the threat of start-up innovative operators. Traditionally, it refers to those who are strongly positioned within the market.

This reduction in the number of operators, that to a certain extent has favoured the investment in infrastructures, is behind the price increase of the past two years, and it is not unaware to other markets where, either through cooperation operations, or alliances, the large telecommunications operators have continued down the same path, such as the merger between AT&T and Direct TV in the United States of America or the merger between British Telecom and the mobiles operator EE in the United Kingdom in the year 2015.

The reasons underneath the sector concentration trend are derived from the fact that it is a sector with important economies of scale, so the distribution of network investment sought after, as well as the operating costs among a greater number of users.

### **Residential market**

Currently converging services have become the norm in the residential market. Most of the Spanish market is represented by triple packages (3P) – that include the services of fixed voice, mobile and broad band internet and quadruple (4P), that additional include pay per view TV. Below is the evolution of these services as well as the fixed and mobile.

### **Convergent Services**

The telecommunications market has undergone a deep change in the past few years, moving from an offer specialized essentially in fixed or mobile services commercialized independently, to the joint commercialization of fixed voice, mobile and broad band and even pay per view television.

The change of the model towards a converging offer has been massive in the residential market and is taking place progressively in companies, particularly those of a smaller size. In accordance to the information communicated by the operators themselves in their periodic results publishing, the percentage of convergent broad band has gone from approximately 12% in 2012 to 85% in 2016.

Evolution of users (en millions)	QIII 2016	2015	2014	2013	2012	2011	2010	2016 (%)	Type of service
Fixed and mobile telephone network, fixed and mobile broadband and TV.	4,5	3,6	2,2	0,7	0,1	0,0	0,0	22,00%	4P
Fixed and mobile telephone network and fixed and mobile broadband	6,1	6,1	5,8	5,2	1,1	0,0	0,0	30,00%	3P
Fixed telephone network and fixed broadband	2,3	2,6	3,5	4,3	7,7	8,2	7,8	11,00%	2P
Only fixed telephone network or fixed broadband	6,3	6,9	7,6	8,8	9,7	10,5	11,2	30,00%	1P
<b>Total (ex traditional pay-TV)</b>	<b>19,2</b>	<b>19,3</b>	<b>19,1</b>	<b>19,1</b>	<b>18,6</b>	<b>18,7</b>	<b>19,0</b>	<b>93,00%</b>	
Fixed telephone network, fixed broadband and pay-TV	0,4	0,6	0,7	1,0	1,6	1,9	1,8	2,00%	
Only pay-TV	0,9	1,2	2,0	1,9	2,1	2,3	2,3	5,00%	
Fixed telephone network and pay-TV	0,1	0,1	0,2	0,2	0,2	0,3	0,3	1,00%	
Fixed broadband and pay-TV	0,0	0,1	0,1	0,1	0,1	0,1	0,1	0,00%	
<b>TV Traditional Services</b>	<b>1,5</b>	<b>2,0</b>	<b>2,9</b>	<b>3,3</b>	<b>4,0</b>	<b>4,5</b>	<b>4,5</b>	<b>7,00%</b>	
<b>Total Services</b>	<b>20,7</b>	<b>21,3</b>	<b>22,1</b>	<b>22,3</b>	<b>22,7</b>	<b>23,2</b>	<b>23,5</b>	<b>100,00%</b>	

Source: CNMC.

### Fixed Services

According to the CNMC, the third quarter of 2016 the total fixed accesses deployed by NGA networks (new generation networks) reached 39.3 million, of which 29.2 million were through fibre networks and 10.1 million through mixed networks of cable coaxial/fibre cable ("HFC"). These figures represented 9.3 million new accesses in relation to the previous year, that correspond nearly to the totality of the fibre accesses.

This investment effort into high speed networks has been translated into the fact and in February 2017 in Spain the broad band park reached a total of 13.8 million lines (+ 4.3% vs. February 2016), which represents a penetration of 29.8 lines per each 100 inhabitants (versus the 28.5 of the previous year).

Specifically the total number of clients using FTTH lines (optical fibre to the home) exceeded 5.1 million. It is necessary to point out the fast growth of clients under this technology, specifically, in February 2017 versus February 2016, the increase of 3.4 million lines FTTH. In the same period, the xDSL technology has lost 1.3 million lines going from 7.4 to 6.1 million lines, as it can be seen in the following chart. In 2016 the total number of lines of new generation technologies (HFC and FTTH) has exceeded for the first time those of xDSL.

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Fixed broadband lines (in millions)	QIII 2016	2015	2014	2013	2012	2011	2010	QIII 2016 (%)
xDSL	5,3	6,1	7,1	7,3	6,9	6,8	6,6	38,30%
HFC	2,2	2,1	2,0	1,9	1,9	1,9	1,8	16,10%
FTTH	3,7	2,6	1,3	0,5	0,3	0,1	0,0	26,70%
Others	0,1	0,1	0,1	0,1	0,1	0,1	0,0	0,80%
<b>Residential</b>	<b>11,2</b>	<b>10,8</b>	<b>10,4</b>	<b>9,7</b>	<b>9,1</b>	<b>9,0</b>	<b>8,5</b>	<b>81,90%</b>
xDSL	1,3	1,6	1,9	2,0	2,0	1,9	1,8	9,70%
HFC	0,4	0,4	0,2	0,2	0,2	0,2	0,1	2,70%
FTTH	0,8	0,6	0,3	0,1	0,1	0,0	0,0	5,60%
Others	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,20%
<b>Business</b>	<b>2,5</b>	<b>2,5</b>	<b>2,5</b>	<b>2,4</b>	<b>2,3</b>	<b>2,0</b>	<b>2,0</b>	<b>18,10%</b>
<b>Total</b>	<b>13,7</b>	<b>13,4</b>	<b>12,8</b>	<b>12,1</b>	<b>11,4</b>	<b>11</b>	<b>10,5</b>	<b>100,00%</b>

Source: CNMC

Regarding the access speeds, it is necessary to point out the fact that 51.3% of the lines contracted in the third quarter of 2016 had a speed equal or superior to 30 Mbps, versus 34.2% of the twelve previous months, reflecting the important increase of the FTTH.

Regarding the access technology, Movistar continues to lead the FTTH as well as the xDSL market, while Vodafone, after the acquisition of Ono leads the cable market (HFC).

Fixed broadband lines by technology (in millions)	xDSL	HFC	FTTH	Total	QIII 2016 (%)
Movistar	3,0	0,0	2,8	5,9	42,90%
Orange	2,5	0,0	1,4	3,9	21,90%
Vodafone	1,0	1,9	0,2	3,1	27,70%
Regional	0,0	0,6	0,0	0,6	4,60%
Others	0,1	0,1	0,0	0,2	1,80%
<b>Total</b>	<b>6,6</b>	<b>2,6</b>	<b>4,4</b>	<b>13,6</b>	<b>100,00%</b>

Source: CNMC. Note: Minor technologies are not included, such as LMDS or WiMax

The park of residential fixed telephony lines continues to be relatively stable. This is not the case for the business lines that as a consequence of the crisis has been gradually reduced. The penetration reached 41.0 lines per each 100 inhabitants.

Fixed telephone lines (in millions)	2016	2015	2014	2013	2012	2011	2010	2016 (%)
Residential	13,7	13,4	13,3	13,1	13,0	13,3	13,2	71,70%
Business	5,4	5,8	5,8	6,0	6,3	6,4	6,7	28,30%
<b>Total</b>	<b>19,1</b>	<b>19,2</b>	<b>19,1</b>	<b>19,1</b>	<b>19,3</b>	<b>19,7</b>	<b>19,9</b>	<b>100,00%</b>

Source: CNMC.

However, the average traffic of voice per fixed line dropped significantly in 2016, as reflected in the last data published in the third quarter of 2016 with a drop of 24.4% compared with the third quarter of 2015, versus the increase experience by the traffic originated by mobile networks. This is greatly due to the presence of voice flat rates in mobile telephony which has made the users to decide for the use of the mobile instead of the fixed.

#### Mobile services

In 2016, the mobile lines park increased to 51.1 million summing in total 84 thousand new lines, by the increase of the contract lines in 1.1 million which compensated the loss of 1.0 million in prepayment. The penetration at the end of the year reached 110.1 lines per each 100 inhabitants.

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish. In the event of discrepancy, the Spanish version will prevail.**

Mobile lines (in millions)	2016	2015	2014	2013	2012	2011	2010	2016 (%)
Pre-payment	12,4	13,4	14,6	15,7	17,8	20,4	20,0	24,30%
Post-payment	38,7	37,6	36,2	34,4	32,9	32,2	31,4	75,70%
<b>Total</b>	<b>51,1</b>	<b>51,0</b>	<b>50,8</b>	<b>50,1</b>	<b>50,7</b>	<b>52,6</b>	<b>51,4</b>	<b>100,00%</b>

Source: CNMC.

On the other hand, the number of mobile lines with broad band continues to grow rapidly reaching in 2016 a total of 39.6 million, which represented 2.2 million more than in 2015 and 10 million more than in 2013. By operators it is necessary to point out the growth of Orange and of Grupo MÁSMOVIL as it can be seen in the following chart:

Mobile broadband lines (in millions)	2016	2015	2014	2013	2016 (%)
Movistar	11,6	11,1	10,5	9,7	29,20%
Vodafone	10,7	10,0	8,1	7,1	26,90%
Orange	11,2	8,4	7,7	6,5	28,40%
Yoigo	0,0	3,0	3,1	2,8	
MASMOVIL Group	3,8	0,0	0,0	0,0	9,70%
Others	2,3	5,0	5,6	3,4	5,80%
<b>Total</b>	<b>39,6</b>	<b>37,5</b>	<b>35,0</b>	<b>29,5</b>	<b>100,00%</b>

Source: CNMC. Note: 2016 Grupo MM includes Yoigo

### **Enterprise market**

The enterprise market has not experienced great changes in the past few years. The mobile telephony lines and the fixed broad band lines have practically remained stable, while the fixed telephony lines have been reduced in lines with the residential market. In the following chart the evolution of the past few years can be seen.

Lines (millions)	QIII 2016	2015	2014	2013
Fixed Telephone Lines	5,6	5,8	5,8	6,0
Mobile Network	10,8	10,8	10,5	10,5
Fixed Broadband Lines	2,5	2,5	2,5	2,4

Source: CNMC. Annual and quarter reports

From a competitive point of view the market is distributed among the three large multinational groups Telefónica, Vodafone and Orange. In the mobile lines market Telefónica is dominant with 46.8% of the lines, followed by Vodafone with 30.9%. This last one has grown more particularly due to the acquisition of Ono.

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Mobile Networks (millions)	QIII 2016	2015	2014	2013	2016 (%)
Movistar	5,0	5,2	5,2	5,3	50,5%
Vodafone	3,3	3,2	2,9	2,9	27,6%
Orange	2,2	2,2	2,2	2,1	20,0%
Others	0,2	0,2	0,3	0,2	1,9%
<b>Total</b>	<b>10,7</b>	<b>10,8</b>	<b>10,6</b>	<b>10,5</b>	<b>100,0%</b>

Source: CNMC. Note: Ono included in Vodafone and Jazztel in Orange since 2015

In the broad band lines market the dominant position of Telefónica is even more prominent with 64% of the lines in the third quarter of 2016. Followed by Orange (16%) and Vodafone (12%) The quotas have been pretty stable in the past few years as it can be seen in the appended chart.

Fixed Broadband lines (millions)	QIII 2016	2015	2014	2013	2016 (%)
Movistar	1,6	1,6	1,7	1,7	64,0%
Vodafone	0,3	0,3	0,3	0,3	12,0%
Orange	0,4	0,4	0,3	0,3	16,0%
Others	0,2	0,2	0,2	0,1	8,0%
<b>Total</b>	<b>2,5</b>	<b>2,5</b>	<b>2,5</b>	<b>2,4</b>	<b>100,0%</b>

Source: CNMC. Note: Ono included in Vodafone and Jazztel in Orange since 2015

## **Infrastructures**

Regarding the technological evolution, the most remarkable is the intense development of the new generation networks (NGN) in the past four years. The growth has taken place in fixed (FTTH), as well as mobile (LTE 4G) networks.

In the year 2016, operators continued their investment in the fibre to home networks (FTTH), reaching 39.4 million accesses in the third quarter between HFC and FTTH. Since the year 2012 more than 20 million accesses have been deployed making Spain one of the cutting edge countries in Europe regarding the coverage of new generation networks. The following chart shows the investment effort made by the different operators.

Accesses deployed by technology (in millions)	QIII 2016			2015			Growth (%)
	HFC	FTTH	Total	HFC	FTTH	Total	
Movistar	0,0	16,4	16,4	0,0	14,3	15,0	9,20%
Orange	0,0	9,0	9,0	0,0	6,8	6,8	32,50%
Vodafone	7,5	2,8	10,3	7,5	1,5	8,9	15,30%
R+ Euskaltel	1,9	0,0	1,9	1,9	0,0	1,9	0,90%
Others	0,7	1,0	1,7	0,8	0,1	1,2	40,70%
<b>Total</b>	<b>10,1</b>	<b>29,2</b>	<b>39,4</b>	<b>10,3</b>	<b>22,9</b>	<b>33,9</b>	<b>16,10%</b>

Source: CNMC.

In accordance to the broad band coverage report in Spain of mid 2016 published by the Ministry of Energy, Tourism and Digital Agenda, only 16 million of the 26 million accesses in FTTH deployed up to said date where not overlapped. In opposition to what Grupo MÁSMOVIL is

already doing, the traditional operators have decided to focus their deployment in the large cities where the largest majority of clients are concentrated and where the board band penetration is higher. This is the main reason for the existence of a high level of overlapping between networks.

In accordance to the information provided by the CNMC, in February 2017 the number of broad band service accesses by FTTH was of 5.17 million, above the 5.09 accesses to the service by xDSL.

In mobile networks the operators have focused their efforts in the deployment of 4G networks, that allow greater downloading speeds to the final clients. Although in the beginning the deployment begun slower than in other countries around us, in the past three years the traditional operators have made an intense effort which has taken the to an 85% coverage in all cases.

### **Trends**

In the last decade, the telecommunications sector has suffered a great transformation, due to the progressive deregulation, the development of technologies that have multiplied the access speeds to services and the proliferation of the internet, the called *smart phones* and the mobiles applications.

The large trends of the past few years have been the convergence, the intensive deployment of new generation networks, fixed (FTTH) as well as mobile (4G) and the growth of pay per view television. In addition it is necessary to point out the development of sharing as the formula to cheapen and make networks deployment more efficient.

The telecommunications operators, while the adapt to the demands brought upon by the technological and regulatory changes, are making an effort to show a greater transparency to their clients and introducing new benefits and services when interacting with the clients.

The main future trends that are presented in the telecommunications market are provided below:

#### **Convergence**

After four years of convergence, in terms of income, the market is divided in almost equal parts between the 4P services (fixed, mobile telephony, internet and television), 3P (fixed, mobile telephony and internet) and the only mobile services. Within the last ones, 75% corresponds to post-payment and the remaining 25% to prepayment. On the other hand, between the 3P services we can distinguish that the services rendered over the new generation networks (FTTH and Cable HFC) and those rendered over xDSL networks are no longer the majority in 2016.

In the past few years, the trends of these five market sub-segments have been:

- Prepayment has lost clients in favour of post-payment due to the pressure of traditional operators.
- The clients of greater value have migrated towards convergent offers, which has caused a very noticeable reduction in the size of the only mobile market.
- Within the 3P market, clients evolve from ADSL to fibre.
- Lastly, the 3P clients join the 4P offers that include pay per view television.

The market consensus is that the 3P as well as the 4P services will continue to develop in the next few years, particularly those based in fibre.

### Accelerated deployment of the new generation networks

The network operators have practically finished their deployments of the 4G with population converges exceeding 85% in all cases. The level of adoption of the services by the clients continues to grow, although it is still under 50% particularly in the case of Movistar (40% in 2016) due to the greater average age of its terminals park. It is to be expected that's as the modernization of the terminals take place in all operators, the service penetration grows. Within this context, the deployment of the 5G networks and the commercial launching of the services about this technology in Spain, is not expected until the year 2020.

Regarding the fibre networks, a regulatory and legal favourable frame and the proliferation on co-investment agreements, have taken Spain to have one of the most modern and extensive fibre networks in Europe, although it is true that there is a extremely high level of network overlapping between the different operators as it was mentioned previously. The new broad band regulatory frame, that eliminates the obligation of Telefónica to provide access to its fibre in 66 of the largest municipalities of Spain, will probably cause that this overlapping is even greater in the future, since the remaining operators will have no choice by to invest in said municipalities in order to be able to compete with fibre. Regarding the rest of Spain, the rhythm of deployment of Telefónica will be very conditioned by the whole sale price that the regulator allows placing for granting the use of its fibre.

#### *6.1.1.3. MÁSMOVIL activity and infrastructures line*

Grupo MÁSMOVIL offers a complete portfolio of telecommunications services to clients of multiple segments (residential, companies and wholesale operators).

The main services that are offered by the Company by type of client are the following:

- Residential area:
  - Mobile services: voice services, SMS/MMS and mobile broad band through own and third party networks of 2G, 3G and 4G.
  - Fixed services: voice and fixed broad band services with xDSL technology (copper) as well as FTTH technology (fibre). Specific Wimax technology is offer in specific areas.
  - Converging products consistent in the combined fixed and mobile services.
- Enterprise area and other wholesale operators:
  - Mobile services: voice, SMS/MMS and mobile broad band services. In addition, specific products for companies such as fax, data storage and specific services.
  - Broad band services: for xDSL technology (copper) as well as FTTH technology (fibre).
  - Broad band access (allows access to the internet and data traffic).
  - Fixed voice services (fixed telephony).
  - Convergent products consisting in the access of broad band, fixed telephony and mobile telephony services (all in the same package).
- Other (residual):
  - Data storage, high capacity data transfer circuits lease, etc., services.

## **Revenues lines**

Thousand euros	2017(3m)	2016 (3m)	2017 (3m) %	2016 (3m) %
Income from services	228,418	20,700	77%	61%
Income from other sources	68,439	13,224	23%	39%
<b>Total income</b>	<b>296,857</b>	<b>33,924</b>	<b>100%</b>	<b>100%</b>

Thousand euros	Pro forma 2016	2016	2015	Pro forma 2016 (%)	2016 (%)	2015 (%)
Income from services	837.957	282.500	72.423	75%	70%	56%
Income from other sources	282.047	118.520	57.826	25%	30%	44%
<b>Total income</b>	<b>1.120.004</b>	<b>401.020</b>	<b>130.249</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Revenue of the Grupo MÁSMOVIL is divided in i) income by services; ii) income for other concepts, such as the sale of terminals and income for the sale to others wholesale operators.

The typology of the most relevant income was income by services. Income for services include sales associated to fixed, mobile and internet connectivity services to private and company final clients. This activity line represented income in the 2016 business year of 283 million Euros (72 million Euros in 2015), practically 70% of the global reported amount for the business year. In the first quarter of 2017, the revenue line for services represented around 77% of the total income.

## **Client's typology**

MÁSMOVIL focuses mainly in three types of clients: residential, companies and wholesale operators.

Ordinary Income (In thousand euros)	2017(3m)			2016 (3m)		
	National	Intern.	Total	National	Intern.	Total
Companies and <i>Wholesale</i>	32.169	136	32.305	25.114	68	25.182
Residential	264.552	0	264.552	8.742	0	8.742
<b>Ordinary Income</b>	<b>296.721</b>	<b>136</b>	<b>296.857</b>	<b>33.856</b>	<b>68</b>	<b>33.924</b>

Ordinary Income (In thousand euros)	2016			2015			2014		
	National	Intern.	Total	National	Intern.	Total	National	Intern.	Total
Companies and <i>Wholesale</i>	115.329	1.152	116.481	98.692	1.628	100.320	58.594	642	59.236
Residential	284.539	0	284.539	29.929	0	29.929	17.769	0	17.769
<b>Ordinary Income</b>	<b>399.868</b>	<b>1.152</b>	<b>401.020</b>	<b>128.621</b>	<b>1.628</b>	<b>130.249</b>	<b>76.363</b>	<b>642</b>	<b>77.005</b>

The main typology of the clients is residential, which represented in 2016, 71% of the total consolidated business year, followed by the sales of wholesale operators and the companies or business area (29%).

The residential business unit is the one of largest size in the Group and is directed to provide voice and connectivity services for fixed as well as mobile private clients. Said unit mainly markets these services under the brands: MÁSMOVIL, Yoigo, Pepephone and Llamaya.

In the typology of the residential clients the Group offers the market a *multi-play offer*), having the Group consolidated as one of the greatest growth operators in the Spanish market. The

Company offers to the clients grouped in this category a combination of fixed and mobile telecommunication services, as well as other added value services that it renders through the fibre and ADSL networks. These clients receive combined offers that allow them access to broad band internet and fixed and mobile telephony services that are invoiced jointly at competitive prices.

On the other hand, Grupo MÁSMOVIL offers wholesale voice services to operators and distributors. The Group offers communication services among which the access to lines, data and voice services to other operators of the telecommunications sector that use the infrastructure and installations to provide services to their clients.

Lastly, the companies business unit is dedicated to attend the telecommunications needs of all types and size companies. The Company is oriented to offer technological solutions to companies that begin their path to large corporation with registered offices and services in the cloud.

### **Sales channels**

The Group uses different sales channels to market their products and services with the purpose of optimizing the recruitment of clients and reducing costs. The main channels used by the Group brands are the following:

- **Exclusive stores:** the Group currently has more than 800 exclusive stores of the Yoigo brand distributed by the entire Spanish geography. Originally conceived for the sale of mobile services and terminals, in addition to provide specific post-sale services, they represent an opportunity to now market the new services of fixed broadband and converging packages.
- **Nonexclusive stores:** Additionally to the exclusive sales points, the Yoigo brand has presence in more specialized chains such as The Phone House and ECI. The MÁSMOVIL brand also has more than 1.000 nonexclusive points of sale distributed along Spain and with special presence in the Mediterranean coast areas.
- **Online channel:** The online channel is the great bet of the Group due to their low costs and the preference demonstrated towards it by the younger generations. The Yoigo brand as well as MÁSMOVIL have a relevant weight that has been progressively increasing. In the case of Pepephone its weight is particularly significant. In 2016 more than 80% of the sales were performed through this channel.
- **Telephone channel:** the telephone channel includes all the existing teleshopping platforms such as the reception of video calls. This first one is a proactive channel or push, while the second is a reactive channel or *pull* which weight is directly related with the investment in publicity. The Yoigo nonintrusive sales model has made its weight in the sales mix relatively low, being much greater in the case of MÁSMOVIL, while Pepephone has not used it at all.

### **Infrastructures and agreements with third parties**

Currently Grupo MÁSMOVIL provides their services through a combination of own infrastructures and wholesale agreements, in the fixed as well as the mobile scope.

The core network, located in Madrid and Barcelona (with extensions in Valencia and Seville), is a part of the central network that provides services to the clients connected by the fixed and mobile networks, routing the calls and the data connection, providing circuit switching services, packages switching, authentication, data bridge with other networks, upload to the internet, added value services and interconnection to other networks (including the networks of the operators that provide wholesale services and national *roaming*).

Fixed networks

Within the scope of the access fixed networks the Group has a fixed fibre network (FTTH) and preferential access to a xDSL wholesale agreement, both acquired in 2015 when the European Union made Orange sell specific assets of Jazztel in order to approve its acquisition.

The Group acquired a FTTH network that covered approximately 740 000 homes from Jazztel in the main urban centres of Spain (13 centrals in Madrid, Barcelona, Malaga, Seville and Valencia). Simultaneously, Orange reserves the right of irrevocable use ("IRU") over a maximum of 40% of the capacity of this network and assumes part of its operation and maintenance costs. This network has been expanded and currently covers more than 800 000 homes.

In addition to this fibre network, the Group has started to deploy its own network and has closed co-investment agreements with Orange and other operators that allow accessing a very relevant footprint of homes in the next three years.

Regarding the services based in xDSL technology, the Group rests in the wholesale agreement that it closed with Orange in 2015 within the frame of the remedies that the European Union imposed over Orange to authorize the acquisition of Jazztel. By this agreement, Orange commits to provide a national service of its xDSL network during a period of four (4) years, renewable for an additional period of another four (4) years. The xDSL network allows the Group to have national coverage (+80% of the population).

Mobiles networks and spectrum

Within the scope of the mobile networks the Group has a national access network with more than 4700 own locations on December 2016, by which it provides mobile service using the bands frequencies 1800 MHz and 2100 MHz of which it is concessionary.

Frequency bands	Concession Period
1.800 MHz	Until 31/12/2030
2.100 MHz	Until 18/04/2020 extendable for 10 years

Said frequencies enjoy technological neutrality, being able to be used to operate under any technology. It is currently used to offer 2G(GSM), 3G (UMTS) and 4G (LTE) services and eventually in the future 5G.

At a national level the distribution of frequencies by operator is the following:

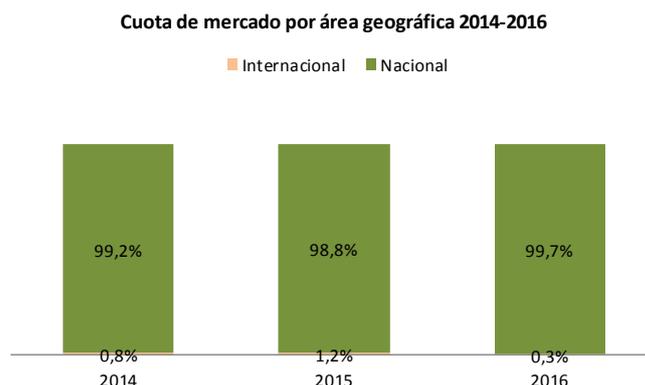
	800 MHz (Banda 20) 4G	900 MHz (Banda 8) 2G y 3G	1.800 MHz (Banda 3) 2G y 4G	2.100 MHz (Banda 1) 3G	2.600 MHz (Banda 7) 4G
	10 MHz FDD	14.8 MHz FDD	19.8 MHz FDD	15 MHz FDD 5 MHz TDD	20 MHz FDD 10 MHz TDD Madrid
	10 MHz FDD	10 MHz FDD	19.8 MHz FDD	15 MHz FDD 5 MHz TDD	20 MHz FDD 20 MHz TDD
	10 MHz FDD	10 MHz FDD	19.8 MHz FDD	15 MHz FDD 5 MHz TDD	20 MHz FDD 10 MHz TDD 10 MHz TDD regional
	-	-	15 MHz FDD	15 MHz FDD 5 MHz TDD	-

Source: CNMC

Currently the MÁSMOVIL mobile network coverage is of 85% of the population. To complete this coverage and provide services in the entirety of the national territory, the group has reached national roaming agreements with Telefónica and Orange, which are currently in effect until the end of 2017 and 2021 respectively.

#### 6.1.1.4. Target geographic area of MÁSMOVIL

Grupo MÁSMOVIL mainly targets the national telecommunications market (99.7% and 98.8% if the sales in the 2016 and 2015 business years respectively). On the other hand during the first quarter of 2017, practically all sales were national (99.95%).



Indication of all new significant products and/or services that have been submitted and, so far in as they have been publically advertised, provide the stage they are on

Not applicable

#### 6.2. Main markets

Description of the main markets in which the Issuer competes, including a description of the total income by category of activity and geographical market for each business year for the period covered by the historical financial information

The total Company income is described under section 20.1.3.1 of this Registration document and under section 6.1 above.

#### 6.3. When the information provided in accordance with sections 6.1 and 6.2 has been influenced by exceptional factors, this fact must be mentioned

The Group income has grown exponentially in the past two years as a consequence of the acquisitions policy, organic growth and the signing of relevant agreements with Orange and Telefónica, among other performed by the group and described under sections 5 and 22 of the Registration document. In addition, a comparable analysis for informational purposes of the income is provided, taking into consideration the current perimeter under section 3 of this Document.

#### 6.4. If it is important for the entrepreneurial activity of for the Issuer profitability, provide detailed information about the Issuers' degree of dependency over patents and licenses, industrial or financial contracts or new manufacturing procedures.

Sections 5.2 and 22 of this Registration document mention the agreements related to matters of investment for the Group.

Neither MÁSMOVIL nor any of the Group companies has any dependency regarding patents or licenses aside from what is stipulated in section 11 of the Registration document.

**6.5. The base of any declaration performed by the Issuer regarding its competitiveness will be disseminated**

Grupo MÁSMOVIL strategy

The main goal of Grupo MÁSMOVIL is to maximize the creation of long term value for its different groups of interest. From a client point of view, the Group aspires to become the favourite operator of Spanish clients through its different brands, leading or co-leading the net collection of broad band and post payment mobile clients in the next few years, doing so in a profitable, sustainable manner and maintaining high levels of satisfaction.

In order to achieve these goals, the Group has identified the following strategic areas:

**1. *Client first***

Since the origins of Grupo MÁSMOVIL, the priority has been to maintain a high degree of satisfaction among its clients. Evidence of this have been the numerous prizes and acknowledgements that the different companies of the Group have received during the years, such as the *Platinum Contact Center Award 2016* in telecommunications of Yoigo or the operator with the highest client satisfaction granted by the OCU to Pepephone. The good commercial results support this policy.

Grupo MÁSMOVIL considers that accelerated growth is not incompatible with maintaining a good customer service level. This is why it will continue to put the *client first* and demonstrating it day after day with specific measures like promoting the 100% customer service from Spain.

**2. Increase of the ARPU and client loyalty through convergent offers**

The group is placing all of its focus on promoting the sale of its convergent solutions based on mobile clients and the market in general. The availability of a convergent offer will attract to the Group new clients who previously did not consider MÁSMOVIL when making this decision. In addition, it will be a key product to perform the incremental sale of the current base and improve their loyalty towards the MÁSMOVIL brands. Lastly it will allow reducing client subscription cancellation since the lack of availability of a convergent offer has been the cause of almost 40% of the subscription cancelations of the Yoigo brand in the past few years.

**3. Selective and efficient deployment of own infrastructures**

Grupo MÁSMOVIL will continue to intelligently combine own infrastructures with third party infrastructure with the purpose of making a more efficient use of its possible resources. The availability of own networks improves the structure of costs versus other operators without network and grants MÁSMOVIL a greater autonomy and control over the service quality. However, due to the dimension and market share that MÁSMOVIL currently has, sometimes it is more efficient from an economic point of view to use third party networks. For example in mobile networks, to add a base station in areas with few clients or where the traffic capture is estimated to be low could not be profitable versus the use of national roaming contracts. In fixed networks, deploy in high competition areas, in which there are at least three networks competing in parallel according to the indications of the CNMC, it would not be advisable either, since the probability of obtaining sufficient commercial penetration to recover the investment in these circumstances would be low. Alternatively, the Group will use in this cases an access wholesale contract to the Orange network which will also allow to change all costs.

However, during the next few years, the group will continue to selectively deploy its mobile network, to improve its coverage as well s to expand its capability wherever the traffic makes it

necessary. In addition, the possibility of participating in the next allotment of frequencies in the 700 MHz frequency, known as the second digital dividend, if the conditions are favourable will be discussed. The Spanish Government must place said frequencies, currently occupied by digital land television, at the disposition of mobile telecommunications in 2020. This band of frequencies has been defined as priority use to render the new 5G services that promise speeds up to ten times superior to the current ones.

Likewise, as it has been declared, Grupo MÁSMOVIL will continue to deploy its Optical Fibre network until the home of low competition areas in co-investment or mutualisation with other operators in order to expand its coverage in high competence areas. In this way a unit cost per built real-estate unit is achieved, which facilitates the recovery of the investment with penetration rates inferior to which it would be needed when investing alone. In addition, the co-investment or mutualisation allows the significant acceleration of the deployment speed.

#### **4. Digitalization of the interaction with the client and internal procedures**

Grupo MÁSMOVIL is immersed in the digitalization procedure of its client experience and its daily operations. Digitalization brings a new way to operate with smaller, more agile, faster and flexible equipment.

For the Group brands it is a way to stand apart from its competitors. The digitalization of the procedures must be done at the same time as a cost reduction takes place which MÁSMOVIL needs to compete with operators that have their own infrastructure and therefore with a better cost structure. Grupo MÁSMOVIL must continue to be *lean*, implies the maximum value to the client using the minimum resources necessary, this means, adjusting and digitalizing procedures, increasing the weight of the sale through the internet and *eCare* for example, is one of the manners to achieve said goal.

But it is not only a matter of costs; surveys demonstrate that the client satisfaction level increases as the digitalization of procedures takes place. A survey performed by McKinsey in 2016 about customer service for a sample of telecommunications operators in Western Europe, reached the conclusion that clients are more satisfied with the interactions performed through digital channels (social networks, *chat online*, forums, etc.). The survey assessed the satisfaction with the different paths in the customer service procedure from the traditional to the 100% digital. Although at this time, only 15% of this paths are digital from end to end, 76% of the clients were satisfied with the attention received versus 57% from the traditional channels. The same survey estimates a saving of operational expenses that may take place due to digitalization of between 25 and 30%.

Due to its relative youth, Grupo MÁSMOVIL has a limited systems legacy in comparison with the traditional operators. The recent launch of the Yoigo convergent offer in a record time is good evidence of its agility. The Group trusts that this competitive edge will allow it to arrive first and therefore become in the reference digital operator in Spain, making the digitalization of its procedures a way to differentiate from the other operators.

In addition MÁSMOVIL considers that the digitalization procedure of other sectors and industries will generated interesting opportunities of the *B2B* business for the Group. The telecommunications sector is called upon to become the facilitator of this change and the Group is getting ready to take its place in the new ecosystem.

#### **5. Exploit the growth opportunity in the entrepreneurial segment**

Just like it happened with the residential segment, the income from the entrepreneurial sector has been reduced in the past few years, although at a lower speed. According to estimates by McKinsey and IDC Research the reduction of the expenses has reached an average of 5% yearly versus 9% residential. In term, the companies with less than 10 employees called SOHO, have behaved better than the joint segment with an expense reduction of 4.3%. Only eight Spanish regions concentrate 80% of this sub-segment expense, which currently amounts to

more than 2000 million Euros and which growth forecast are also more optimistic than for the general entrepreneurial segment.

MÁSMOVIL considers that this entrepreneurial segment, until this date neglected by the different Group brands, represents a relevant growth opportunity. It is a borderline segment between residential and large business, that can be attacked with a simple offer of standardized products based on the convergent residential offer complemented with added value services that allow increasing the average client income. The use of the Yoigo brand, that has a spontaneous acknowledgement level not far from the traditional operators, will allow increasing the commercial results.

## **6. Partnerships with other operators**

Grupo MÁSMOVIL has signed important cooperation agreements with other operators in the past few months, among which it is necessary to point out the ones closed with Orange and Telefónica. With this last one an agreement for national roaming was reached on December 2016 to cover the migration period of the Orange and Pepephone migration network. A global agreement was closed with Orange in October of last year which included national roaming, in accordance with *site-sharing*, the wholesale access to all its fibre network and lastly the mutualisation agreement to extend the Group network.

The Group firmly believes in mutualisation and the sharing of infrastructures as formulas to achieve a more efficient network deployment and it is open to intensify its relations with the two operators previously mentioned as well as with others that may be interested in it.

### **6.5.1. Main competitive advantages of Grupo MÁSMOVIL**

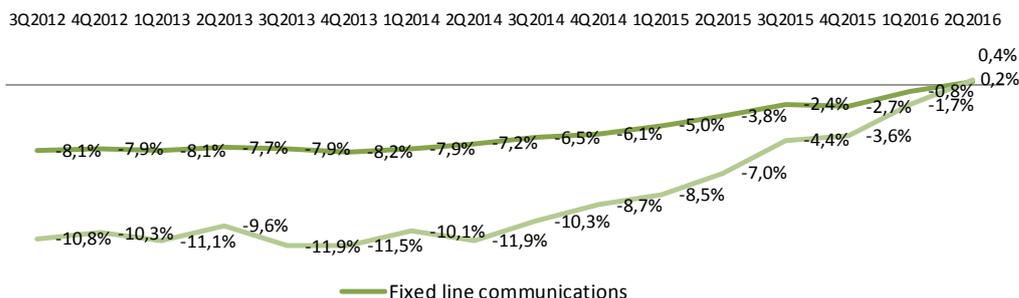
The Group has identified the following competitive advantages which it considers will help it reach its strategic objectives:

#### **1. Positive dynamic of the sector in Spain that provides additional growth opportunities**

A recent report of Morgan Stanley ([www.morganstanley.com](http://www.morganstanley.com), report of March 23, 2017: Orange, S.A.: *France and Spain combine to drive strong EBITDA growth*) indicates that Spain stays as the most attractive telecommunications market of Europe, due to the investments in the deployment of fibre networks, which provides a solid base for the growth, market stability with the consolidation of the rising prices trend. After years of strong drops, the total income of the sector has started to grow. According to the information published in the CNMC, the income from fixe communications, as well as the mobile communications, grew in the second semester of 2016. In the case of fixed communications, it is the first time since the third quarter of 2009 and in the mobiles, also the first time since the third quarter of 2008.

The following chart provides the evolution of the growth rates in the fixed and mobile communications income in the past five (5) years.

### Evolution of total income in the sector of telecommunications in Spain



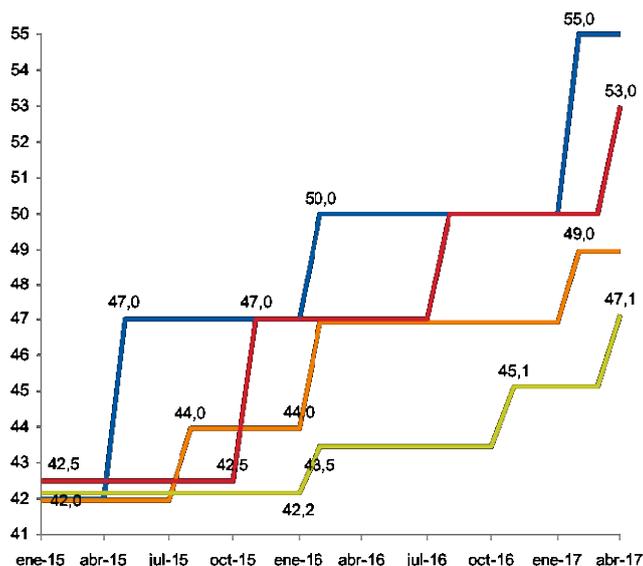
Source: CNMC

The pressure to recover the considerable investments undertaken in the deployment of the new generation networks (NGN), fixed as well as mobile (4G), and the reduction of the competitive pressure caused by the concentration of operators are the main cause for the price increase of the past two (2) year.

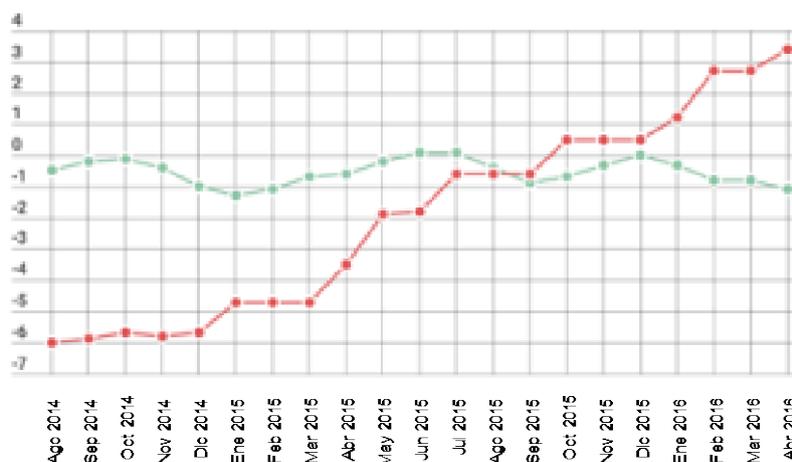
The following chart shows the evolution of the basic broad band and mobile convergent package price (Euros/month, Vat included) for the three traditional operators: Movistar (blue line), Orange (orange line), Vodafone (red line) and Jazztel (green line), in the period between January 2015 and April 2017. The trend has been maintained during the past few months, including increases in the traditional operators focused on the *value-for-money* segment relation such as Jazztel, which has recently announced an increase of 2 Euros in the line fee. The initial strategy to stop the drop of prices was to offer “more for less”, with improvements, for example in the volume of mobile data included in the product in exchange for not changing the price. In a second stage, the traditional operators have moved on to a “more for more” strategy, this means offering improvements in the products characteristics associated with an increase of the prices.

### Evolution of prices for services 3P 50Mb in Euros/month

#### Evolución precios servicios 3P 50MB €/mes



The Telecommunications CPI (red line), that during years had contributed negatively to the growth of the general CPI (green line), has moved to do so positively since September 2015, as it can be seen in the following graphic.



This price recovery dynamic is beneficial for the competitive position of Grupo MÁSMOVIL, since the differential with the market prices to hold its positioning regarding *value for money* increases.

## **2. Four brands, four different positioning with the same philosophy: *client first***

Grupo MÁSMOVIL works to operatively integrate the different companies and assets it has acquired during 2016 and 2017. However, it has taken the strategic decision of introducing itself to the market with four commercial brands (Yoigo, MÁSMOVIL, Pepephone and Llamaya), with four differentiated value proposals and with the ambition of reaching the greatest potential number of clients possible.

Despite of the differences, the proposal of all brands have a common element: the put the client first. The final purpose is to provide a better service to the client to consolidate the position of the Group as leaders in satisfaction.

Versus the packages of the traditional operators' services, MÁSMOVIL proposes attractive offers also for products acquired separately. It is about offering to the client what it needs in each case and at a competitive price. An offer without obligations in which the client can customize what he/she needs.

## **3. An efficient combination of own infrastructures and access to this party networks**

Grupo MÁSMOVIL combines own infrastructures with third party networks in an intelligent manner to service its clients. The availability of own infrastructures allows a better cost structure versus operators without network, better quality control of the service and a greater negotiation capacity to access third party networks. These allow for a more efficient use of the resources (for example provide mobile coverage in places where due to the traffic volume it would not be profitable to invest) or accelerate the time to develop and launch the product in the market in the case of Fibre.

### *Mobiles networks*

With the acquisition of Yoigo in 2016 the Group, which until that point exclusively used third party networks for the rendering of mobiles services as Virtual Mobile Operator (VMO), now

owns its own spectrum in bands 1800 and 2100 MHz and a network of more than 4700 antennas with which it provides coverage to 85% of the Spanish population. This network is complemented with the Orange and Telefónica networks through wholesale agreements with both.

Orange, main supplier of MÁSMOVIL, is now the first supplier of the Group after signing, on October 2016, a national roaming agreement for the transport of the Yoigo clients traffic not covered with its own network. In addition the Group has signed a global agreement with Telefónica to cover the traffic migration period of Yoigo to the Orange network and the traffic of Pepephone.

In the next few years, the Group will continue to selectively invest in the expansion of its mobile network with the purpose of increasing the percentage of traffic managed by its own network and thus reduce its dependency in the national roaming contracts with third parties. This expansion would allow the Group to comply with the covenants for 2021 derived from the concession of frequencies to Yoigo in the band of 2100 MHz.

#### *Fixed networks*

In the fixed world, the Group also has a combination of own structures and the network of third parties to provide coverage to practically 80% of the Spanish population. From the point of view of own infrastructure, Grupo MÁSMOVIL has approximately 1 million homes covered with FTTH arranged in Madrid, Barcelona, Valencia, Malaga and Seville acquired from Orange/Jazztel within the frame of the remedies imposed by the European commission to authorize the merger of both companies. In addition to these homes, the Group has commissioned an ambitious deployment plan of FTTH network including mutualisation and/or co-investment agreements with Orange and other cooperating partners. According to the strategy established by the Group, approximately 70% of this deployment will be focused in areas with scarce or no overlapping (this means, geographic areas in which there is a reduced or inexistent deployment of the FTTH network by the other operators) and 60% in cities of less than 10 000 inhabitants, thus contributing to reduce the digital gap in our country.

According to the latest data published by the Telecommunications Secretary of State and for the Information Society in its "Broad band coverage report in Spain in the first quarter of 2016", there are 26 million real-estate units in Spain covered with FTTH network. However, eliminating the overlapping, the figure of homes covered is of only 16 million, which indicates that the traditional operators have focused their deployment mainly in the large cities and there is an important amount of homes to which two and even three different networks reach. In accordance with said report, 90% of the housing in municipalities of more than 100 000 inhabitants are already covered with fibre, while the figure drops to only 20% on those of 50 000 inhabitants.

The Group has considered that focusing its efforts in creating a complementary network to those of the greater size operators in the areas of less infrastructural competition and, therefore, with the possibility of reaching greater commercial penetration guarantees a better return on the performed investment.

Regarding the access to fixed infrastructures of third parties, Grupo MÁSMOVIL has guaranteed having a practically national coverage and commercialization time until having its own network, through two wholesale agreements with Orange:

- a. Access to the national ADSL network of Orange/Jazztel with coverage exceeding 80% of the population (18 million homes).
- b. Indirect access to the entire Orange fibre network which currently provides access to around 6.5 million homes and that will continue to expand in the future.

#### **4. Additional growth potential through the crossed sale of broad band services**

In the past four (4) years the main indicator of the telecommunications sector growth in Spain has been the convergence, which consists in the joint commercialization of fixed and mobile services. With this commercial strategy, operators pursue a double objective: Increase the ARPU - *average revenue per user* of the clients when selling a greater number of services and increasing the loyalty level.

After the first moment in which the aggressiveness of the offers even accelerated the drop rhythm of the sector companies income, convergence has resulted in a commercial success up to the point that currently 85% of the broad band lines in Spain are sold with at least one associated mobile line. The main beneficiaries of this trend have been the operators which have managed to construct a solid value proposal in fixed as well as in mobile, something that has been possible thanks to corporate transactions as is the case of Orange and Vodafone. The main damages were done to the only mobile operators that have seen their pool of clients reduced day after day to hold those clients who were searching for a convergent offer. Yoigo as well as Pepephone have been affected by this situation, although they have been able to endure the, by focusing in high value clients in one case and the differentiation through transparency and customer service on the other.

The incorporation to Grupo MÁSMOVIL of both brands open an opportunity for the unique creation by the crossed sale of broad band services to the current clients of Yoigo and Pepephone. It also allows both companies to address with attractive offers the growing pool of new interested clients in this type of convergent services packages. Thus, the priority of the Grupo since the closing of both corporate transactions between September and October of 2016, has been the availability of a convergent offer for Yoigo and the reinforcement of the broad band offer of Pepephone.

At the beginning of 2017 the new convergent fees of Yoigo were launched, “Las Combinadas de Yoigo”, which have three points in common:

- a. The mobile data have a speed of 4G.
- b. The clients can chose between Symmetric Fibre 300 Mb, Fibre 50 Mb or ADSL.
- c. And in addition they all have unlimited calls to national fixed and 60 minutes to national mobiles from a fixed telephone.

Among the new launched rates there is the Sinfín (Endless), the star fee of Yoigo for clients with a high consumption of voice and data, which offers Symmetric Fibre 300 Mb, unlimited calls and 25 GB of data speed 4G in the mobile, that as a launch offering turns into 50 GB during the first six (6) months.

Regarding Pepephone, the works have been focused in the improvement of the current broad band offer which is exclusively ADSL. Services of broad band over fibre have been recently launched for all its clients leveraging the Group network and its access agreements to third party networks.

#### **5. An experienced management team oriented towards execution**

Despite its relative youth, Grupo MÁSMOVIL has one of the most experienced managerial teams in the sector in Spain. The Group has renewed almost all of the top leadership in the past two years to adapt to the new growth stage incorporating professionals of renown prestige and extensive experience in similar positions in other Spanish telecommunications operators.

The Group management team combines in a balanced manner the professionals from traditional operators such as Vodafone and Orange, with others with years of experience in

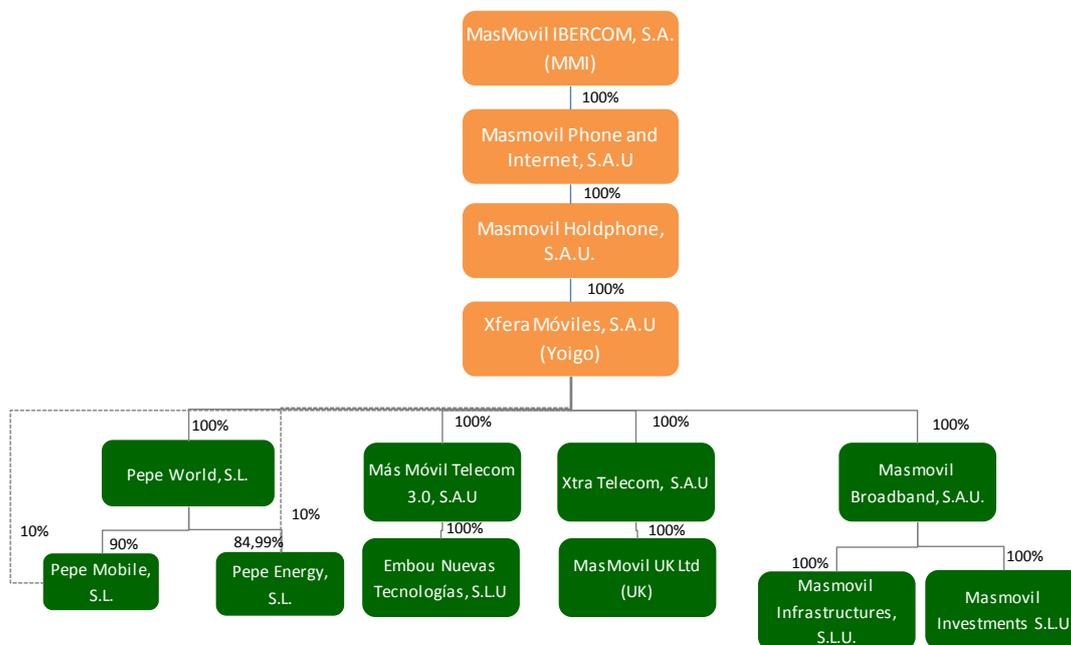
***Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.***

alternative operators such as Ono or Jazztel. In the past two years this team has been able to launch a massive convergent offer in MÁSMOVIL and recently in Yoigo, integrated efficiently in a record period more than ten companies, start the procedure for the deployment of the FTTH network starting from zero, obtain the financing for the acquisition of Yoigo and Pepephone and close wholesale agreements for access to fixed and mobile infrastructures with its partners Orange and Telefónica, among other achievements.

## **7. ORGANIZATIONAL STRUCTURE**

### **7.1. If the Issuer is part of a group, a brief description of the group and the Issuer's position in the group**

MÁSMOVIL is the Parent company of a Group formed by depending companies, as detailed in the corporate organizational chart at the Prospectus record date:



Fuente: Grupo MASMÓVIL

MÁSMOVIL is the Parent company of a Group formed by depending companies which most relevant information is included under section 7.2. The Parent Company was listed in the MAB-EE since March 30<sup>th</sup>, de 2012.

The Company performed in 2014-2016 several acquisitions (see section 5) and there were merges and restructuring between Group's companies.

On the other hand, through 2017, the Group acquired the assets of the Llamaya company, that jointly are the business unit corresponding to the virtual mobile operator activity said company performed and operated under the Llamaya brand. Acquisition price amounted to 29.7 million Euros (24.9 million Euros in cash and 4.8 million Euros through deferred payment to be paid eighteen months after closing the transaction), plus a variable amount ("earn-out") according to the evolution of certain operational parameters. This "earn-out", payable in its case in 2018 and 2019, may amount to 12 million Euros of which 4.5 million Euros would be cash and the rest cash or shares (a maximum of 300,000) at MÁSMOVIL choosing, resulting in a multiple maximum Company value / EBITDA lower than 4x. See more detail on assets acquisition under section 5.1 of this document.

### **7.2. List of Issuer's significant branches, including name, country of incorporation and, if different, voting rights proportion**

**MÁSMOVIL Phone and Internet, S.A.U.:** Company incorporated in 2016 (100% participated) in Alcobendas (Madrid, Spain). The company purpose is the development of activities and providing services in the Spain area.

**MÁSMOVIL Holdphone, S.A.U.:** Company incorporated in 2016 (100% participated) in Alcobendas (Madrid, Spain). The company purpose is the development of activities and providing services in the telecommunications area

**Xfera Móviles, S.A.U. (“Yoigo”):** Company with registered office in Alcobendas (Madrid, Spain), 100% acquired by the MÁSMOVIL Group on October 2016. Its company purpose is establishing and providing all types of communication networks, as well as providing, managing, commercializing and distributing for itself and third parties of all types of telecommunications services, including establishment of mobile telecommunications networks and providing any type of mobile telecommunications services.

**Pepe World, S.L.:** Company incorporated in 2008 with registered offices in Madrid (Spain), 100% acquired by the MÁSMOVIL Group on September 13<sup>th</sup>, 2016. Its company purpose is to develop new companies, management and provision of entrepreneurial services, commercial strategies and planning, preferably in the field of new technologies applied to the transportation, travel and tourism industries as well as telecommunication. The company has the following companies:

- **Pepe Mobile, S.L. (“Pepephone”):** Company incorporated in 2007 with registered offices in Madrid (Spain), 100% acquired by the MÁSMOVIL Group on September 13<sup>th</sup>, 2016. Its company purpose is providing and exploitation of all type of telecommunications services and in order to do so, the design, installation, preservation refraction, improvement, acquisition, alienation, interlink, management and administration and other activity not included in the precedent numbering.
- **Pepe Energy, S.L.:** Company incorporated in 2014 with registered offices in (Spain), 94.99% acquired by the MÁSMOVIL Group on September 13<sup>th</sup>, 2016. It company purpose is the performance of all purchase and sale activities of al type of electric energy to consumers and other members from the system.

**MÁSMOVIL Telecom 3.0, S.A.U.:** with registered offices in Alcobendas (Madrid, Spain), the company has as main activity the development of activities and providing of services in the telecommunications area. 100% of the company’s participations were acquired by the Group on March 18<sup>th</sup>, 2014. With the purpose of simplifying the companies society structure there was the merger of the companies **The Phone House Móvil, S.L.U** and **Passwordbank Technologies, S.L.U.** also acquired in 2014, to the company MÁSMOVIL Telecom 3.0 in said year.

MÁSMOVIL Telecom 3.0 has as participated the following company:

- **Embou Nuevas Tecnologías, S.L.U.:** Company with registered offices in Saragossa (Spain) and with corporate purpose companies’ consulting and assessing in the telecommunications and new technologies areas, as well as coordination, preparing and filing o studies and sale of computer equipment. Embou Nuevas Tecnologías was added to the Group’s perimeter in 2015 as a consequence of the acquisition on April 10<sup>th</sup>, 2015 of 100% participations of said company by the parent Company. On the other hand with the purpose of simplifying the society structure and organize it by businesses in 2015 there was the merger through absorption of Ebesis Sistemas, S.L. by Embou Nuevas Tecnologías, S.L.

**Xtra Telecom, S.A.U.:** Company created by the merger through absorption made in 2014 by Telecom, S.A.U (later on named Xtra Telecom, S.A.U) of three branches of the group that were acquired by MÁSMOVIL Group in 2014: Tecnologías Integrales de Telecomunicaciones, S.L.U, Xtra Telecom, S.L.U and Telechoice España, S.L.U. said merger was completed and recorded in the Commercial Registry last December 17<sup>th</sup>, 2014. The Company has its registered offices in Alcobendas (Madrid, Spain) and its main activity is the sale of voice and data phone traffic, commercialization of prepaid phone cards and recharge of same.

Likewise, with the purpose of simplifying by business, in 2015 there was a merger through absorption of Neo Operador de Telecomunicaciones S.L, Quantum Telecom, S.A. and Digital Valley Technologies, S.L. by Xtra Telecom S.A.U.

Currently, Xtra Telecom has the following branch:

- **MÁSMOVIL UK Ltd (UK):** with registered offices in Fourth Floor, 30-31 Furnival Street London EC4A1JQ (United Kingdom), the company is 100% participated by the Group and was acquired in 2014. Its main activity is to provide phone services without its own network, virtual mobile operator services, resale of landline services, public available data transmission services, among others.

**MÁSMOVIL Broadband, S.A.U.:** With registered office in (Madrid, Spain), the parent company incorporated the branch on May 25<sup>th</sup>, 2015 (100% participated) together with the operation by which the Group acquired all Jazztel fibre optics network in 13 hubs located in the five major Spanish cities: Madrid, Barcelona, Valencia, Seville and Malaga. MÁSMOVIL Broadband S.A. main activity, further to transfer use of Jazz Telecom, S.A.U. fibre optics network is transfer said network as well as Group's companies copper network. The Company has the following branches:

- **MÁSMOVIL Infrastructures, S.L.U.:** Company incorporated in 2015 (100% participated), in Alcobendas (Madrid, Spain). Its company purpose is, in summary, providing telecommunication services through the exploitation of networks or resale of phone service, mobile and landline phones, internet and television, and the development of computer applications and providing and commercialization services and products in the computer area.
- **MÁSMOVIL Investments, S.L.U.:** Company incorporated in 2015 (100% participated) in Alcobendas (Madrid, Spain). Its company purpose is, in summary, providing telecommunication services through the exploitation of networks or resale of phone service, mobile and landline phones, internet and television, and the development of computer applications and providing and commercialization services and products in the computer area.

## 8. PROPERTY, PLANT AND EQUIPMENT

### 8.1. Information related to any existing or expected tangible fixed assets, including leased property, and any substantial levy related to it

The main assets recorded in the section of Fixed Assets correspond to:

- Technical installations and machinery (257 million Euros by 31 of December, 2016), basically comprise the deployment and optimization of the mobile telephone network, which includes the extension of the coverage with the 4G technology.
- Fibre optic network (111 million Euros by 31st of December, 2016): includes mainly the acquisition cost of the elements that constitute the fibre optic network acquired by the Group from Jazz Telecom S.A.U. plus capitalised expenses for the start-up of the network based on the sales contract formalized in 2015 summing up to 89 million Euros (VAT not included).
- Fixed assets under construction and advances (€26 million by 31st of December, 2016), substantially reflect the work related to the network deployment carried out at MÁSMOVIL Broadband, S.A., as well as the degree of work progress of the assets of the mobile telephone network in Yoigo. The tangible fixed assets under construction will be transferred to technical installations in operation as progress is made in the construction of the network and its effective release takes place.

In 2016, the following agreements stood out, which are explained in more detail in Sections 5.2 and 22 of this document:

- Mutualisation Agreement with Orange on Next Generation Networks (FTTH) of July 2016;
- Global Agreement with Orange on national roaming, site sharing and FTTH of October 2016;

In turn, in the year 2015, Orange/Jazztel's fixed broadband asset allocation agreements stood out, as part of the "remedies" imposed by the European Commission to authorize the purchase of Jazztel by Orange. The detail of the operation is explained in Section 5.2 of this Registration Document.

Overall, these investments provided a substantial boost to the MÁSMOVIL Group's fixed broadband business, which is part of the strategy of positioning itself as the fourth largest telecommunications operator in Spain with a nationwide comprehensive service offer comparable to the offer provided by reference or dominant operators.

With this network infrastructure, MÁSMOVIL got the operational capacity in the fixed broadband market under favourable conditions in terms of; Market share, geographic reach, technological diversification, cost and time savings.

The acquisition of the network infrastructure, as well as the access to Jazztel's assets, gave the Group a broad commercial coverage of both, fibre (FTTH) and xDSL, under a scenario of immediate access and favourable economic conditions, an aspect which allows to break explicitly the main entry barriers to the sector (cost and development time). On the other hand, the mutualisation agreements with Orange enable investment containments in the new planned network deployments and a contribution to the variability of costs, a consequent aspect with a scheme of uninsured income for the most part, insofar depending on the ability to attract customers.

On the other hand, it should be noted that a part of the Land and Buildings where the Group carries out its activity are mortgaged as collaterals for certain loans with credit institutions.

The following tables detail the movements in fixed assets of the years closed at 31st of December, 2016, 2015 and 2014, as well as the movements in fixed assets for the first quarter of 2017:

Movements from 31st of December, 2016 to 31st of March, 2017

Tangible fixed assets (In thousand euros)	Terrenos	Constructions	Technical facilities and machinery	Other facilities, tools and furniture	Other fixed assets	Optical fiber network	In-progress fixed assets and advances	Total
<b>Cost</b>								
<b>Balance at 1 January 2016</b>	<b>284</b>	<b>2.735</b>	<b>10.885</b>	<b>3.617</b>	<b>3.029</b>	<b>89.186</b>	<b>101</b>	<b>109.837</b>
Business combinations	0	0	252.546	0	5.165	0	9.581	267.292
Additions	0	0	13.219	462	855	18.898	28.852	62.286
Disposals	0	0	-2.509	0	-1.806	-90	-1.372	-5.777
Transfers	0	-2.010	12.994	0	2.054	6.511	-10.746	8.803
<b>Balance at 31 December 2016</b>	<b>284</b>	<b>725</b>	<b>287.135</b>	<b>4.079</b>	<b>9.297</b>	<b>114.505</b>	<b>26.416</b>	<b>442.441</b>
Business combinations	0	0	0	0	0	0	0	0
Additions	0	0	728	20	0	9.306	6.951	17.005
Disposals	0	0	0	0	0	-180	-7.798	-7.978
Transfers	0	0	0	0	0	1.531	-1.531	0
Currency translation differences	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2017</b>	<b>284</b>	<b>725</b>	<b>287.863</b>	<b>4.099</b>	<b>9.297</b>	<b>125.162</b>	<b>24.038</b>	<b>451.468</b>
<b>Amortisation and impairment losses</b>								
<b>Balance at 1 January 2016</b>	<b>0</b>	<b>-203</b>	<b>-8.030</b>	<b>-2.533</b>	<b>-2.341</b>	<b>-614</b>	<b>0</b>	<b>-13.721</b>
Amortisation of the exercise	0	-16	-15.520	-72	-550	-3.374	0	-19.532
Disposals	0	0	2.296	0	1.805	0	0	4.101
Transfers	0	-183	-8.954	0	-170	0	0	-9.307
<b>Balance at 31 December 2016</b>	<b>0</b>	<b>-402</b>	<b>-30.208</b>	<b>-2.605</b>	<b>-1.256</b>	<b>-3.988</b>	<b>0</b>	<b>-38.459</b>
Amortisation of the exercise	0	-3	-1.136	-19	0	-14.147	0	-15.305
Disposals	0	0	0	0	0	109	0	109
Transfers	0	0	0	0	0	0	0	0
Currency translation differences	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2017</b>	<b>0</b>	<b>-405</b>	<b>-31.344</b>	<b>-2.624</b>	<b>-1.256</b>	<b>-18.026</b>	<b>0</b>	<b>-53.655</b>
<b>Value impairment at 1 January 2016</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Value impairment at 31 December 2016</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Value impairment at 31 March 2017</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Book value</b>								
<b>At 1 January 2016</b>	<b>284</b>	<b>2.532</b>	<b>2.821</b>	<b>1.084</b>	<b>688</b>	<b>88.572</b>	<b>101</b>	<b>96.082</b>
<b>At 31 December 2016</b>	<b>284</b>	<b>323</b>	<b>256.893</b>	<b>1.474</b>	<b>8.041</b>	<b>110.517</b>	<b>26.416</b>	<b>403.948</b>
<b>At 31 March 2017</b>	<b>284</b>	<b>320</b>	<b>256.485</b>	<b>1.475</b>	<b>8.041</b>	<b>107.136</b>	<b>24.038</b>	<b>397.779</b>

The main increases for the three-month period from 31st of December, 2016 to 31st of March, 2017 are as follows:

- In the section of Fibre Optic Network, basically the amount invested (9.3 million Euros in 2017) as a result of the mutualisation agreement on new generation networks with Orange.
- In the section of Fixed assets under construction and advances, substantially the work related to the network deployment carried out at MÁSMOVIL Broadband, S.A., as well as the degree of work progress of the assets of the mobile telephone network in Yoigo. The tangible fixed assets under construction will be transferred to technical installations in operation as progress is made in the construction of the network and its effective release takes place.

## Movements for 2016 and 2015

Tangible fixed assets (In thousand euros)	Terrenos	Constructions	Technical facilities and machinery	Other facilities, tools and furniture	Other fixed assets	Optical fiber network	In-progress fixed assets and advances	Total
<b>Cost</b>								
<b>Balance at 1 January 2015</b>	<b>284</b>	<b>583</b>	<b>9.389</b>	<b>2.746</b>	<b>2.350</b>	<b>0</b>	<b>0</b>	<b>15.352</b>
Business combinations	0	0	2.071	58	46	0	0	2.175
Additions	0	4	2.527	813	633	89.186	101	93.264
Disposals	0	0	-8	0	0	0	0	-8
Transfers	0	2.148	-3.094	0	0	0	0	-946
<b>Balance at 31 December 2015</b>	<b>284</b>	<b>2.735</b>	<b>10.885</b>	<b>3.617</b>	<b>3.029</b>	<b>89.186</b>	<b>101</b>	<b>109.837</b>
Business combinations	0	0	252.546	0	5.165	0	9.581	267.292
Additions	0	0	13.219	462	855	18.898	28.852	62.286
Disposals	0	0	-2.509	0	-1.806	-90	-1.372	-5.777
Transfers	0	-2.010	12.994	0	2.054	6.511	-10.746	8.803
<b>Balance at 31 December 2016</b>	<b>284</b>	<b>725</b>	<b>287.135</b>	<b>4.079</b>	<b>9.297</b>	<b>114.505</b>	<b>26.416</b>	<b>442.441</b>
<b>Amortisation and impairment losses</b>								
<b>Balance at 1 January 2015</b>	<b>0</b>	<b>-185</b>	<b>-6.714</b>	<b>-2.431</b>	<b>-2.082</b>	<b>0</b>	<b>0</b>	<b>-11.412</b>
Amortisation of the exercise	0	-18	-1.316	-102	-241	-614	0	-2.291
Transfers	0	0	0	0	-18	0	0	-18
<b>Balance at 31 December 2015</b>	<b>0</b>	<b>-203</b>	<b>-8.030</b>	<b>-2.533</b>	<b>-2.341</b>	<b>-614</b>	<b>0</b>	<b>-13.721</b>
Amortisation of the exercise	0	-16	-15.520	-72	-550	-3.374	0	-19.532
Disposals	0	0	2.296	0	1.805	0	0	4.101
Transfers	0	-183	-8.954	0	-170	0	0	-9.307
<b>Balance at 31 December 2016</b>	<b>0</b>	<b>-402</b>	<b>-30.208</b>	<b>-2.605</b>	<b>-1.256</b>	<b>-3.988</b>	<b>0</b>	<b>-38.459</b>
<b>Value impairment at 1 January 2015</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Value impairment at 31 December 2015</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Value impairment at 31 December 2016</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Book value</b>								
<b>At 1 January 2015</b>	<b>284</b>	<b>398</b>	<b>2.641</b>	<b>315</b>	<b>268</b>	<b>0</b>	<b>0</b>	<b>3.906</b>
<b>At 31 December 2015</b>	<b>284</b>	<b>2.532</b>	<b>2.821</b>	<b>1.084</b>	<b>688</b>	<b>88.572</b>	<b>101</b>	<b>96.082</b>
<b>At 1 January 2016</b>	<b>284</b>	<b>2.532</b>	<b>2.821</b>	<b>1.084</b>	<b>688</b>	<b>88.572</b>	<b>101</b>	<b>96.082</b>
<b>At 31 December 2016</b>	<b>284</b>	<b>323</b>	<b>256.893</b>	<b>1.474</b>	<b>8.041</b>	<b>110.517</b>	<b>26.416</b>	<b>403.948</b>

The main increases for the year 2016 correspond to:

- In the section of technical installations and machinery, basically, the deployment and optimization of the mobile telephone network, which includes the extension of the coverage with the 4G technology.
- In the section of fibre optic network, basically the invested amount (18.9 million Euros in 2016) as a result of the mutualisation agreement on new generation networks with Orange.
- In the section of Fixed assets under construction and advances, substantially the work related to the network deployment carried out at MÁSMOVIL Broadband, S.A., as well as the degree of work progress of the assets of the mobile telephone network in Yoigo. The tangible fixed assets under construction will be transferred to technical installations in operation as progress is made in the construction of the network and its effective release takes place.

By 31st of December 2016, the Group holds fixed assets which are fully amortized and in use in the amount of 92,737 thousand Euros.

On the other hand, for more detail of business combinations of the year see Section 9.2 of this Registration Document.

## Movements for the years 2015 and 2014

Tangible fixed assets (In thousand euros)	Terrenos	Constructions	Technical facilities and machinery	Other facilities, tools and furniture	Other fixed assets	Optical fiber network	In-progress fixed assets and advances	Total
<b>Cost</b>								
<b>Balance at 1 January 2014</b>	<b>284</b>	<b>1.248</b>	<b>6.506</b>	<b>2.770</b>	<b>2.518</b>	<b>0</b>	<b>0</b>	<b>13.326</b>
Business combinations	0	0	2.124	30	35	0	0	2.189
Additions	0	0	767	62	146	0	0	975
Disposals	0	-665	-12	-116	-349	0	0	-1.142
Currency translation differences	0	0	4	0	0	0	0	4
<b>Balance at 31 December 2014</b>	<b>284</b>	<b>583</b>	<b>9.389</b>	<b>2.746</b>	<b>2.350</b>	<b>0</b>	<b>0</b>	<b>15.352</b>
Business combinations	0	0	2.071	58	46	0	0	2.175
Additions	0	4	2.527	813	633	89.186	101	93.264
Disposals	0	0	-8	0	0	0	0	-8
Transfers	0	2.148	-3.094	0	0	0	0	-946
<b>Balance at 31 December 2015</b>	<b>284</b>	<b>2.735</b>	<b>10.885</b>	<b>3.617</b>	<b>3.029</b>	<b>89.186</b>	<b>101</b>	<b>109.837</b>
<b>Amortisation and impairment losses</b>								
<b>Balance at 1 January 2014</b>	<b>0</b>	<b>-184</b>	<b>-6.387</b>	<b>-2.523</b>	<b>-1.994</b>	<b>0</b>	<b>0</b>	<b>-11.088</b>
Amortisation of the exercise	0	-19	-338	-50	-301	0	0	-708
Disposals	0	18	10	142	213	0	0	383
Currency translation differences	0	0	1	0	0	0	0	1
<b>Balance at 31 December 2014</b>	<b>0</b>	<b>-185</b>	<b>-6.714</b>	<b>-2.431</b>	<b>-2.082</b>	<b>0</b>	<b>0</b>	<b>-11.412</b>
Amortisation of the exercise	0	-18	-1.316	-102	-241	-614	0	-2.291
Transfers	0	0	0	0	-18	0	0	-18
<b>Balance at 31 December 2015</b>	<b>0</b>	<b>-203</b>	<b>-8.030</b>	<b>-2.533</b>	<b>-2.341</b>	<b>-614</b>	<b>0</b>	<b>-13.721</b>
<b>Value impairment at 1 January 2014</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Value impairment at 31 December 2014</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Value impairment at 31 December 2015</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Book value</b>								
<b>At 1 January 2014</b>	<b>284</b>	<b>1.064</b>	<b>85</b>	<b>247</b>	<b>524</b>	<b>0</b>	<b>0</b>	<b>2.204</b>
<b>At 31 December 2014</b>	<b>284</b>	<b>398</b>	<b>2.641</b>	<b>315</b>	<b>268</b>	<b>0</b>	<b>0</b>	<b>3.906</b>
<b>At 1 January 2015</b>	<b>284</b>	<b>398</b>	<b>2.641</b>	<b>315</b>	<b>268</b>	<b>0</b>	<b>0</b>	<b>3.906</b>
<b>At 31 December 2015</b>	<b>284</b>	<b>2.532</b>	<b>2.821</b>	<b>1.084</b>	<b>688</b>	<b>88.572</b>	<b>101</b>	<b>96.082</b>

During the year 2015 the Company increased the value of its assets considerably. In addition to corporate acquisitions of completed companies, the main factor behind the increase in assets and liabilities was the acquisition of the assets in connection with the "remedies" arising from the acquisition of Jazztel by Orange:

- The FTTH network in Madrid, Barcelona, Valencia, Malaga and Seville, comprising a minimum of 733 thousand real estate units, and registered at the end of the year with a net book value of 89 million Euros. The payment for this asset (settled at the beginning of 2016) was pending at the end of the financial year 2015 (and recorded under Other Short-term Financial Liabilities on the Balance sheet including VAT corresponding to a total of 108 million Euros).
- With respect to this FTTH network, the Group has granted an indefeasible right of use ("IRU") to Orange/Jazztel, for a pre-paid amount of 69 million Euros. This cash amount was received by MÁSMOVIL at the beginning of 2016, with the balance being recorded in the balance sheet as Income to be Distributed in Several Years, as this right of use extends for 35 years from its date of commencement in 2015.

On the other hand, by 31st of December 2014, the main movements of fixed assets corresponded to:

- Business combinations: Correspond to the acquisition of companies during that year (see Sections 9.2 and 5.1 for a more detailed description of corporate transactions carried out in 2014).

- Removals of companies: corresponds to one company's sale of holdings (Com&Media).

In terms of technology equipment within the Group's existing tangible fixed assets, three major blocks were differentiated in early 2017:

1. Telecommunication equipment (hardware and software) for the business (fixed and mobile voice and data networks, added value services...).

- Mobile and Fixed Access Networks. Regarding mobile access, the Group has geographically distributed wireless equipment providing service with 2G, 3G and 4G Technologies via 4,584, 4,748 and 4,393 units respectively. These units are controlled from 68 controller nodes which add up traffic of the wireless stations. Regarding fixed access, the Group has 941,000 real estate units (homes) with its own fibre.
- Red CORE. Voice Service, 41 basic nodes are available in both, fixed and mobile IMS network (network client databases, traditional voice switching centres and VoIP, etc.). Additionally, there are 368 traditional IP network equipment and servers. As for the data service, it is supported in 166 signalling, routing and data traffic backbone equipment.
- Platforms for added value services. Via 20 platforms the Group offers different services (voicemail, short message service, legal interception...).
- Transmission. MÁSMOVIL has a transmission network supported by 2,330 devices (Radio-links, optical transport equipment and signal regeneration, etc...).
- Network connectivity. Supported on 199 routers and switches and 553 additional devices (servers, firewalls, probes...).

2. Equipment corresponding to business supporting information systems (CRMs, billing...).

- 1,592 devices comprise the assets of information systems (physical and virtual servers, storage, databases, balancers...).

3. Support infrastructures for the correct functioning of the previous equipment (civil works, technical venues, CPDs...).

- 858 radio and transmission sites.
- 10 technical venues.
- 3 data processing centres.

In the following table some details of the existing fixed assets in the Group are listed:

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Property, Plants and Equipment				
<b>LANDLINE AND MOBILE LINE EQUIPMENT</b>	<b>MOBILE ACCESS</b>	BSC	18	Switched off in Q1
		RNC	34	9 RNCs no traffic
		RX1	16	Switched off in Q1
		2G Radio Equipment	4.584	Switched off in Q2
		3G Radio Equipment	4.748	
		4G Radio Equipment	4.393	
	<b>FIXED LINE ACCESS-Homes</b> <i>OLTs and External Plant not included</i>	Deploy of own network	116	71 MM AND 45 EMBOU
		Remedies	825	
	<b>MOBILE VOICE CORE</b> CS Core	HLR	4	
		HSS	2	
		STP	2	
		MSC-S	5	
		MGW	6	
	<b>FIXED VOICE CORE</b>	Legacy Equipment	368	
		IMS	22	
	<b>MOBILE DATA CORE</b> EPC/PS Core	MME	3	
		DNS	4	2 GPRS and 2 user
		Packet Logic	2	
		EPG	2	
	<b>FIXED DATA CORE</b>	Network Equipemnt	125	
		Companies Equipment	22	
		BRAS	8	
	<b>MOBILE NETWORK TRANSMISSION</b>	Radio relay links	2.188	
		Multiprotocol packet data equipment	22	
		SDH-ADM	18	
	<b>LAND LINE TRANSMISSION</b>	Radio relay links	61	Core+ Customer
		DWDM	24	
		SDH	17	
	<b>MOBILE NETWORK ADDED VALUE SERVICES</b>	IN	2	
		SDP	4	
Charging		2		
Voicemail		2		
CCN		2		
LOGGW		1		
MIO		2		
EMA		2		
EMM		2		
LI-IMS		1		
<b>MOBILE NETWORK CONNECTIVITY</b>	ROUTERS JUNIPER	36		
	ROUTERS TELLABS 8630	80		
	ROUTERS TELLABS 8660	16		
	SWITCHES	47		
<b>FIXED LINE CONNECTIVITY</b>	MPLS	20	ROUTERS JUNIPER	
<b>OTHER PLATFORMS MOBILE NETWORK</b>	F5	10		
	FIREWALL	26		
	Synchronism	12		
<b>OTHER PLATFORMS LAND LINE NETWORK</b>	Servers / Various Network	502		
<b>TOOLS</b> Network/KPI's Monitoring	INFOVISTA	1		
	ACTIVE PROBES	1		
	PASSIVE PROBES	1		
<b>INFRASTRUCTURES</b>	<b>OWN INFRASTRUCTURES FOR MOBILE ACCESS</b>	Radio Sites	814	Leased site/Own Infrastructure
		Only Transmission	44	Leased site/Own Infrastructure
	<b>MOBILE CORE HEADQUARTERS</b>	Alcobendas	1	Leased site/Own Infrastructure
		Carrier House 2 Madrid	1	Leased site/Own Infrastructure
		Carrier House Barcelona	1	Leased site/Own Infrastructure
		Carrier House Sevilla	1	Leased site/Own Infrastructure
		Valencia Islalink	1	Leased site/Own Infrastructure
		Malaga	1	Leased site/Own Infrastructure
		Bilbao	1	Leased site/Own Infrastructure
	<b>FIXED CORE HEADQUARTERS</b>	Carrier House 1 Madrid	1	Leased site/Own Infrastructure
		Málaga Data Center	1	Leased site/Own Infrastructure
		Zaragoza	1	Leased site/Own Infrastructure
	<b>Fixed Data Centres</b>	Donosti	1	Own building and infrastructure
		María Tubau	1	Leased site/Own Infrastructure
Atica		1	Leased site/Own Infrastructure. Will be shortly vacated.	
<b>TI / SYSTEMS</b>	<b>MOBILE SYSTEM ENVIRONMENTS</b>	Physical Servers	100	
		Virtual Servers	234	
		Networking	81	
		Back-up stor. cabins	10	
		Firewall	17	
		Balancers	7	
	<b>FIXED SYSTEM ENVIRONMENT</b>	Physical Servers	320	
		Virtual Servers	637	
		Networking	42	
		Back-up stor. cabins	19	
		Firewall	18	
		Balancers	8	
	<b>MOBILE DATA BASES</b>	Oracle	14	
	SQLServer/MYSqL/Postgres	84		
<b>FIXED DATA BASES</b>	Oracle	1		

\* Data Centers of Systems co-located with Network Infrastructures

The Company has its registered office at the Zuatzu Business Park, Easo Building, 2nd Floor, 20018 Donostia-San Sebastián (Guipúzcoa) and holds the Tax Identification Code A-20609459.

#### Commitments for the operating lease

The Group has lease contracts corresponding to the sharing of telecommunications infrastructures in accordance with the agreements signed with other operators.

The minimum lease fees to be charged according to the current valid contracts and without taking into account the impact of communal expenses, future CPI increases, nor future contractual rent renewals are as follows:

Operating leasings (In thousand euros)	31/12/2016
Up to one year	2.985
From one to five years	6.617
Longer than five years	353
<b>Operating leasings</b>	<b>9.955</b>

The Group has different types of operating leases. The amount of operating lease fees identified as the expense at year-end is as follows:

Operating leases (In thousand euros)	31/12/2016	31/12/2015	31/12/2014
Shared Sites	13.583	0	0
Transmission Lines	4.521	0	0
Offices	892	1.577	631
Vehicles	470	0	0
Licenses	592	0	0
Various Leasings	3.701	0	0
<b>Operating Leases</b>	<b>23.759</b>	<b>1.577</b>	<b>631</b>

The increase in expenses derives mainly from the incorporation of Xfera in the consolidated account in 2016. The main operating lease expenses in that year refer to:

- Shared locations: Rental of physical locations for the emplacement of mobile telephone equipment (antennas).
- Transmission lines: Rental of transmission lines to provide transmission services to physical locations that do not have their own transmission (also via other operators or service providers).

The total amount of future minimum lease payments for operating leases is presented on continuation:

Min. Payments from operating leases (In thousand euros)	31/12/2016	31/12/2015	31/12/2014
Min. Payments from leases	453.992	1.103	631
Min. Payments from leases	<b>453.992</b>	<b>1.103</b>	<b>631</b>

## **8.2. Description of any environmental aspect that may affect the use of the fixed assets by the Issuer**

Given MÁSMOVIL's type of activities, it has no liabilities, expenses, assets nor provisions or contingencies of an environmental kind which could be significant in relation to the equity, financial situation and the results of the Issuer.

The Group, within its mobile network, complies with the Royal Decree 1066/2001, which establishes the protection conditions of the public radio domain, restrictions on radioelectric emissions and health protection measures in their face. For this, measurements are made prior to the installation of each device and, in addition, annual certifications which verify the correct compliance and maintenance of the regulations are issued.

The Company carries out all its activities with strict compliance with this standard and its subsequent developments, in accordance with European recommendations, which guarantee the protection of citizens' health.

Regarding visual impact, solutions have been adopted – on the radio sites where it was possible - to conceal the used infrastructures: billboards, hidden antennas, Slim antennas, mimetizations in protected environments...

The main mobile network provider complies with ISO9000, ISO14000, ISO18000 and ISO/IEC 27001:2013 standards.

In addition, functionalities and processes are being implemented in order to reduce the energy consumption of the equipment.

## **9. OPERATIONAL AND FINANCIAL ANALYSIS**

### **9.1. Financial situation**

See sections 10,1 and 20,1 of this Booklet's Document of Record

### **9.2. Results of exploitation**

See section 20,1 of this Booklet's Document of Record

Relative information of significant factors, including unusual or no frequent events, or new progresses, which may affect in a significant way the income of the issuer because of operations, indicating in which way the income has been affected

#### Changes in consolidation perimeter

In the period from December 31<sup>st</sup>, 2016 to March 31<sup>st</sup> 2017 there was no variation in the consolidation perimeter, although on January 31<sup>st</sup>, 2017 there was the formal closing on assets acquisition corresponding to Virtual Mobile Operator (VMO) business unit of the company Llamaya.

During the years 2016 and 2015, there were relevant acquisitions and company operations with the strategic goal of becoming one of the main telecommunications full operators in Spain.

In 2016 the companies added to the consolidation perimeter were:

- Xfera Móviles, S.A.U. (Yoigo).
- Pepeworld, S.L.U., Pepemobile, S.L. y Pepe Energy, S.L. (Pepephone).

Additionally, dated June 1<sup>st</sup>, 2016 the Parent company incorporated MÁSMOVIL Holdphone, S.A.U. and MÁSMOVIL Phone & Internet, S.A.U., in order to structure the acquisitions of the aforementioned companies.

In 2015 the companies added to the consolidation perimeter were:

- Neo Operador de Telecomunicaciones S.L.U.
- Embou Nuevas Tecnologías S.L.
- Ebasis Sistemas S.L.

Furthermore, dated May 25<sup>th</sup>, 2015 the parent company incorporated MÁSMOVIL Broadband, S.A., due to the transfer of optic fibre network to Jazz Telecom S.A.U. and the transfer of the copper network to Group's companies.

Dated May 19<sup>th</sup>, 2015 the European Commission approved an operation by which Orange, S.A. merged with Jazztel, plc. with specific commitments on Orange S.A. side.

In this context, and in order to fulfil Orange, S.A. commitments, on July 31, 2015, Jazz Telecom, S.A.U. and the affiliate MÁSMOVIL Broadband, S.A. signed the following agreements:

- Purchase agreement of an optic fibre network owned by Jazz Telecom S.A.U. for 89,000 thousand Euros (VAT not included), which has already been paid.

- Transfer agreement to use 40% of the optic fibre network, for which the company instituted an irrevocable renewable right of using the elements of an optic fibre network for thirty five (35) years, extendable to more, in favour of Jazz Telecom, S.A.U. for 69,000 thousand Euros, amount already received, plus a monthly maintenance concept depending on the proportion of clients between MÁSMOVIL with access to the mentioned network and the number of clients from Orange/Jazztel.
- Framework agreement by which MÁSMOVIL Broadband access to the use of Spain's Telefónica S.A. copper network, through Jazz Telecom, S.A.U. for a four (4) year period, renewable one single time for four (4) additional years, for 29,000 thousand Euros plus a monthly amount per line.

Dated December 30<sup>th</sup>, 2015 the affiliate MÁSMOVIL Infraestructuras, S.L.U. subrogated the position of the company MÁSMOVIL Broadband, S.A.U. regarding the fulfilment of all obligations and enjoyment of all rights as per this agreement and its appendices.

Additionally, with the purpose of simplifying the society structure and to organize it by businesses, the following mergers occurred in 2015 among the group's companies (see in further detail under section 7 of this Agreement):

- Takeover merger of Ebasis Sistemas S.L. by Embou Nuevas Tecnologías S.L.
- Takeover merger of Neo Operador de Telecomunicaciones S.L. by Xtra Telecom S.A.U.
- Takeover merger of Digital Valley Technologies, S.L. by Xtra Telecom S.A.U.

Furthermore, on December 31<sup>st</sup>, 2016 and 2015, the Group had a participation of 49% in the company Com&Media Proyectos y servicios S.L., which reasonable value is recorded under section "Non current assets maintained to be sold" as per the sale agreement established with former founders from this company.

#### Business combination

The Detail of acquired net assets and goodwill recognized by incorporations made in the period from December 31<sup>st</sup>, 2016 to March 31<sup>st</sup>, 2017 is as follows:

Goodwills introduced in 2017  (In thousand euros)	Country	Business combination cost, net of received cash	Fair value of identifiable net assets a	Goodwill (provisory)
Llamaya business unit	Spain	39.336	27.884	11.452
		<b>39.336</b>	<b>27.884</b>	<b>11.452</b>

#### • **Acquisition of a business unit to Llamaya Móvil, S.L.U.**

Dated January 31<sup>st</sup>, 2017 the Group had acquired a business branch consisting in the virtual mobile operator activity to the company Llamaya Móvil, S.L.U.

The acquired business provided ordinary income and consolidated results for the Group during the period between the acquisition date and the period closing for the amounts of 2,692 thousand Euros and 203 thousand Euros, respectively.

Had the acquisitions occurred on January 1<sup>st</sup> 2017, the net amount of the business volume of the group and profit for the period of three months ended by March 31<sup>st</sup>, 2017 would have increased by 1,436 thousand Euros and 102 thousand Euros, respectively.

Purchase price (see section 5 of the Record Document for further detail) had the following elements:

- Payment in cash of 24,891 thousand Euros.
- Deferred price of 4,800 thousand Euros that will be paid via a bank check 18 months after the closing date. At January 31<sup>st</sup>, 2017 it was estimated for the reasonable value of said deferred payment to be 4,431 thousand Euros.
- A variable price of up to 12,000 thousand Euros (*earn-out*) according to the evolution of some operational parameters. At January 31<sup>st</sup> 2017 it was estimated for the reasonable value of said payment to be of 10,014 thousand Euros. Said set of *earn-outs* will be paid at the Group's discretion in shares at market price (with a minimum of 25 Euros per share) or cash.

Reasonable value of the deferred payments has been calculated via updating the deferred price and the variable price at market interest rate, that is why it is located in a level 3 of the reasonable value hierarchy.

Detail of cost of business combination, reasonable value of acquired net assets and consolidation goodwill is as follows:

Llamaya Business Unit (In thousand euros)	Book value of the acquired company	Fair value adjustments	Fair value (provisory)
Trademark	2.650	0	2.650
Other intangible fixed assets	30.609	0	30.609
<b>Assets</b>	<b>33.259</b>	<b>0</b>	<b>33.259</b>
Short-term provisions	-4.134	0	-4.134
Current liabilities	-1.241	0	-1.241
<b>Liabilities</b>	<b>-5.375</b>	<b>0</b>	<b>-5.375</b>
Identifiable net assets acquired	27.884		27.884
Cost of combination, net of received cash			39.336
<b>Goodwill</b>			<b>11.452</b>

On its side, detailed of acquired net assets and goodwill recognised by incorporations made in 2016 is as follows:

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Goodwills introduced in 2016  (In thousand euros)	Country	Business combination cost, net of received cash	Fair value of identifiable net assets a	Goodwill (provisory)
<b>Dependent Companies</b>				
Xfera Móviles, S.A.U.	Spain	566.841	394.497	172.344
Pepe World, S.L.	Spain	148.159	21.354	126.805
		<b>715.000</b>	<b>415.851</b>	<b>299.149</b>

The acquired business provided ordinary income and consolidated results for the Group for the period between the acquisition date and the period closing for the amounts of 241,490 thousand Euros and 18,504 thousand Euros (losses), respectively.

In the hypothetical example of having acquired the businesses by January 1<sup>st</sup>, 2016, the main financial figures would have changed as follows:

Acquisition effective at 1 January 2016  (In thousand euros)	Xfera Móviles, S.A.U.	Pepeworld, S.L.U.
Ordinary Income	669.740	49.244
Operating Income	23.524	-1.261
Amortisations	-59.491	-5.888
Profit before taxes	17.806	-1.218
Profit after taxes	18.180	200
EBITDA	83.015	4.627

The Group recognized under section Other exploitation expenses for the Consolidated Global Results status, 16,078 thousand Euros corresponding to transaction costs and 11,957 thousand Euros associated to integration costs. Likewise results from Pepeworld, S.L.U. by September 13<sup>th</sup>, 2016 included an amount of 2,563 thousand Euros corresponding to bonus paid to employees because of the success of the corporate transaction.

- **Acquisition of Xfera Móviles, S.A.**

Dated October 5<sup>th</sup>, 2016, the Group, through the company MÁSMOVIL Phone & Internet, S.A.U., acquired 100% of the shares from the company Xfera Móviles, S.A., as well as the rights associated to each and all existing participating loans that this company maintained with its former shareholders.

Compensation delivered for a total of 594,686 thousand Euros (amount different than the 566,841 thousand Euros reflected in the goodwill calculation, as same is minored by the cash provided by Xfera Móviles, S.A., or alternatively, difference between the company's value and the capital value), was formed by the following items:

- Of a payment in cash for an amount of 398,706 thousand Euros.
- Of the difference by acknowledgement of debt and payment commitment- *Note*- (subordinated to the Company's senior debt) valued at reasonable value according to accounting criteria for an amount of 195,980 thousand Euros. This *Note* is convertible in

Parent Company's shares for a total amount of up to 165,500 thousand Euros. Said issue was subscribed by Yoigo's former minority shareholders and its main conditions are:

- Initial amount of 165,5 million Euros, not subjected to any condition for its collection (120,000 thousand Euros subscribed by ACS Telefonía Móvil, S.L., 24,282 thousand Euros subscribed by Fomento de Construcciones y Contratas, S.A. and 21,176 thousand Euros subscribed by Siema Investment, S.L., all of them Yoigo's former shareholders).
- Amount of 110 million Euros ("*earn-out*") that could be minored as per the following conditions regarding Group's consolidated EBITDA 2019:
  - If EBITDA 2019 is equal or less than 210 million Euros, the *earn-out* will be 0%.
  - If EBITDA 2019 is equal or more than 300 million Euros, the *earn-out* will be 100%.
  - If EBITDA 2019 is between 210 and 300 million Euros, the *earn-out* will be set proportionally.
- Duration: thirteen (13) years, i.e., until June 20<sup>th</sup>, 2029, (six (6) years grace period and seven (7) years linear amortization).
- Interests to pay (fix to variable) over total amount:
  - Fixed interest rate: 2% annual.
  - Variable interest rate: 3% annual, which payment is conditioned to EBITDA's annual growth in the following years (+20% EBITDA's annual growth from years 1 to 4, and +12,5% EBITDA's annual growth hereinafter). That is, if during years 1 to 4 MÁSMOVIL consolidated EBITDA grows in any of these years over 20%, the year where the event were happened would yield the corresponding variable tranche (+3%). Between years 5 to 13 (*Note's* maturity) this EBITDA's annual growth is reduced to 12.5% to yield the corresponding variable tranche (+3%).
- MÁSMOVIL shares conversion rights can be executed at any moment until year 7. Conversion prices are established in 25 Euros / share (years 1 to 3) and in 40 Euros / share until year 7.
- Early cancellation right: creditors may require debt early cancellation during the first two (2) years, being ensured by bank guarantee. To these effects, the Group maintains a non available current account on December 31<sup>st</sup>, 2016 with the amount of 146,670 thousand Euros that are recorded under section Cash and other net equivalents. This amount is lower than the initial amount because the shares from one of the *Note's* holders were bought back before the end of 2016, as explain in paragraphs below.
- If the creditor were to convert debt or requested early cancelation he/she will loss the right to the *earn-out*.

This financing through the *Note* was also subjected to the financial ratio Net financial indebtedness / EBITDA from the first quarter 2017. The result of this ratio determines changes in *Note*'s conditions. It is important to indicate that in no case it is a ratio MÁSMOVIL may breach involving the *Note*'s early amortization, but that the result of this ratio will condition *Note*'s conditions, like cost, application of variable tranches, additional guarantees, etc., as indicated in the table below. Also, in case of a Group's change of control event, that will mean the right to collect the whole EBITDA consecution independent debt. Currently, amounts reflected in the Group's financial statements at first quarter 2017 closing determine valuations in ratios indicating *Note*'s original conditions maintenance.

Covenants of ACS's Note	
Net Financial Debt / EBITDA	Consequence
If Ratio > 5x	MASMOVIL Ibercom would become joint and severally Guarantor, together with MASMOVIL Phone and Internet.
If Ratio > 6x	Variable interest rate would be immediately applied, for the next interest period, in addition to fixed interest rate.
If Ratio > 6x	ACS would be entitled to capitalise the outstanding Debt on the date of demand, on the basis of 20 euro per share.
If Ratio > 7x	ACS would be entitled to <i>Earn-Out</i> , regardless of EBITDA reached for year 2019.

In 2016, and after the Group's takeover, an agreement was reached with one of former Yoigo (Siema Investment, S.L.) shareholders, by which part of the debt was cancelled by paying in cash 20,626 thousand Euros by MÁSMOVIL to the holder of former Yoigo shareholder *Note*, what led a financial income in MÁSMOVIL accounts for the amount of 4,457 thousand Euros.

During 2017, and before formulating the consolidated annual accounts, an agreement was reached with another Yoigo's former shareholders (Fomento de Construcciones y Contratas, S.A.), cancelling part of the debt through the payment in cash of 29,138 thousand Euros by MÁSMOVIL, what will mean an approximate expenditure of 72 thousand Euros in MÁSMOVIL's 2017 results.

On the date this Informational Prospectus was issued, this *Note*'s initial amount of 165,500 thousand Euros, and after the acquisition of two former Yoigo shareholders, the total live balance amounts to 120,000 thousand Euros.

In case of full conversion of this debt in MÁSMOVIL shares, and according to the agreement subscribed, the maximum amount of share to issue would be 4,800,000 shares, resulting from dividing current amount of 120 million Euros by 25 Euros per share (conversion exercise value in case of conversion during the first three years).

In case this current live balance of 120,000 thousand Euros of the *Note* were to remain invariable during the following years, from year 3 (June 20<sup>th</sup>, 2019) and until year 7 (June 20, 2023) the maximum amount of shares to issue would be of 3,000,000 shares, resulting from dividing the current amount of 120 million Euros by 40 Euros per share (conversion exercise value in case of conversion between year three and year seven).

On March 31, 2017 and after specific modifications have taken place regarding the market conditions related to the assessment of said financial instruments (interest rate, pricing, risk rate, etc), caused the decision of using the share pricing on the date of closing instead of the average of the last 90 sessions, as it was done on December 31, 2016. In this regard it is necessary to point out that the share pricing on December 26, 2016 amounted to 26.6 Euros while the average of the last 90 sessions that was used in the estimate of the fair value of the instrument amounted to 25.37 Euros and on March 31, 2017 the value of the share amounts to 38 Euros.

According to the new calculations, the fair value of the financial instrument and the amortized cost liability on March 31, 2017 amounts to 189 962 and 73 250 thousand of Euros respectively. Therefore the derivatives fair value amounts to the difference, this means 116 712 thousand of Euros, which meant the recording of an expense of 34 049 thousand of Euros in the appended profit and loss account on March 31, 2017. On the preparation date of these financial statements (July 10, 2017), the share pricing amounts to 56.50 and even though Directors have not estimated the fair value of the financial instrument on said date, the approximated impact that the fair value of the derivative could have over the profit and loss account would be of at least 64 million Euros, without these changes in value representing any cash outflow.

Detail of cost of business combination, of reasonable value of acquired net assets and consolidation goodwill is the following:

Xfera Móviles S.A.U. (In thousand euros)	Book value of the acquired company	Fair value adjustments	Fair value (provisory)
Concessions	76.549	12.854	89.403
Trademark	0	88.644	88.644
Other intangible fixed assets	14.294	40.604	54.898
Tangible fixed assets	267.120	0	267.120
Other non current assets	43.183	0	43.183
Deferred tax assets	345.673	-137.138	208.535
Trade debtors and other accounts receivable	109.535	0	109.535
Other current assets	11.842	0	11.842
<b>Assets</b>	<b>868.196</b>	<b>4.964</b>	<b>873.160</b>
Long-term provisions	-43.900	-58.523	-102.423
Other non current liabilities	-36.667	0	-36.667
Deferred tax liabilities	0	-35.525	-35.525
Current liabilities	-304.048	0	-304.048
<b>Liabilities</b>	<b>-384.615</b>	<b>-94.048</b>	<b>-478.663</b>
EBITDA	483.581	-89.084	394.497
	0,0		566.841
<b>Goodwill (provisory)</b>			<b>172.344</b>

The most relevant factor for recognizing the goodwill was the valuation of expected synergies and other benefits from businesses combination. Specifically Yoigo entrance in the Group means a relevant cost optimization regarding mobile telecommunications network renting costs supported up to date by the Group; savings basically based in commercial agreements with third parties formalized by the Group in the second half of the year, as well as cross sale of

Yoigo's clients' portfolio of land communication services ((broadband) built on land telecommunication infrastructures from the Group (FTTH and DSL).

The calculation criteria of main assets and liabilities on Yoigo's operations takeover date, as well as its adjustment to their reasonable value, are shown below:

- Concessions: Have been valued through market approach where an asset's reasonable value is estimated through other similar assets that were recently sold or licensed.
- Mark: The reasonable value of this intangible asset was calculated by applying the *royalty* savings method using as most significant parameters a 1.25% royalty, calculated from royalties observed in the sector, to a discount rate of 9.6% and a perpetual growth rate of 0.5%.
- Relations with customers: The value of this asset was calculated as the sum of excess of future benefits discounted at its actual value once taxes were paid. Key parameters used in evaluating this intangible were dropout rate, EBITDA that can be assigned to each client's typology and a discount rate of 9.1%.
- Deferred assets: Have been valued according to a better estimation of future tax gains and based on current tax law on the takeover date.
- Long term provisions: Adjustment of reasonable value to this provision corresponds virtually fully to the unfavourable contract Xfera Móviles S.A. has with a third party regarding the rent of towers, the difference in the annual cost of said contract was calculated, with expiration by 2030, until the end of same as compared with the cost of a similar contract under market conditions. The amount is 57,497 thousand Euros.
- **Acquisition of Pepeworld, S.L.U. (including Pepemobile, S.L. and Pepe Energy, S.L.)**

Dated September 13<sup>th</sup>, 2016, the Group, through the company MÁSMOVIL Holdphone, S.A.U., acquired 100% of shares of the company Pepeworld, S.L. and 100% and 94.99% in its participated Pepemobile, S.L. and Pepe Energy, S.L., respectively, (hereinafter, subgroup Pepephone or Pepephone).

The total acquisition amount was 158,000 thousand Euros (amount different than 148,159 thousand Euros reflected in the goodwill as the later is minored due to the cash contributed by acquired companies or, alternatively, the difference between the company's value and the capital's value), which amount was paid in cash.

Business combination cost detail, of the reasonable value of acquired net assets and consolidation goodwill is as follows:

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Pepeworld, S.L.U. (In thousand euros)	Book value of the acquired company	Fair value adjustments	Fair value (provisory)
Trademark	0	8.594	8.594
Other intangible fixed assets	587	69.349	69.936
Tangible fixed assets	172	0	172
Other non current assets	8	0	8
Deferred tax assets	249	9.474	9.723
Other current assets	3.908	0	3.908
<b>Assets</b>	<b>4.924</b>	<b>87.417</b>	<b>92.341</b>
Long term provisions	0	-37.894	-37.894
Other non current liabilities	-2.229	0	-2.229
Deferred tax liabilities	0	-19.486	-19.486
Current liabilities	-11.378	0	-11.378
<b>Liabilities</b>	<b>-13.607</b>	<b>-57.380</b>	<b>-70.987</b>
Identifiable net assets acquired	-8.683	30.037	21.354
Cost of combination, net of received cash			148.159
<b>Goodwill (provisory)</b>			<b>126.805</b>

The most relevant factor that meant goodwill recognition was the valuation of expected synergies and other benefits resulting from a business combination. Specifically, the entrance of Pepephone in the Group means a drastic decrease of mobile telecommunication network rent costs supported until then by Pepephone.

Main existing assets and liabilities calculation principle at the date of takeover from Pepephone operations is the following:

- **Mark:** the recent the reasonable value of this intangible asset was made through the application of the royalty savings method using as more significant parameters a *royalty* of 1% calculated from the *royalties* observed in the sector, a discount rate of 10.7% and a perpetual growth rate of 0.5%.
- **Customers' relations:** the asset value was calculated as the sum of excess of future benefits discounted of the current value once considered the charges for contributed assets. Key parameters used in this intangible valuation were dropout rate, EBITDA that can be assigned to each client's typology and a discount rate of 10.7%.
- **Short term provision:** This provision reasonable value corresponds to a contract Pepephone maintains with a telecommunication operator regarding a VMO (virtual mobile operator) contract, considering for said estimation the penalty established under said contract for its cancellation, equivalent to the total of the last twelve monthly instalments of said contract.

It is considered for useful lives of the marks Yoigo and Pepephone to be indefinite as there is no foreseeable limit of the period during which they are going to generate cash bet flows. Customers' relations, included under "Other intangible assets", will be linearly amortized according to the estimated useful life which is understood between five (5) and nine (9) years.

Reasonable securities included in business combinations are considered provisional, as although a valuation was made with the assistance from an independent expert, there could be,

due to the closeness to transactions at closing, new information that would modify initially recorded securities. Any adjustment made during the valuation period (that would not overcome the maximum twelve (12) months period from the acquisition date established in the norm) will be recorded as if they were known at the acquisition date.

On its side, detail of acquired net assets and renowned goodwill funds due to additions in year 2015 is the following:

Goodwills introduced in 2015  (In thousand euros)	Country	Coste combinación de negocios neta del efectivo recibido	Valor razonable de los activos netos identificables	Goodwill
<b>Dependent Companies</b>				
Neo Operador de Telecomunicación	Spain	28.494	8.615	19.879
Embou Nuevas Tecnologías S.L.	Spain	5.503	904	4.599
Ebesis Sistemas S.L.	Spain	789	75	714
		<b>34.786</b>	<b>9.594</b>	<b>25.192</b>

In the hypothetical case the acquisitions had occurred by January 1<sup>st</sup>, 2015, Group's turnover net amount and yearly profit ending at December 31<sup>st</sup>, 2015 would have increased by 3,126 thousand Euros and 637 thousand Euros, respectively.

- **Acquisition of company Embou Nuevas Tecnologías S.L.**

Dated April 10<sup>th</sup>, 2015, the Group, through the parent company, acquired 100% shares of the company Embou Nuevas Tecnologías, S.L. transmitting 100% of company shares to the affiliate, MÁSMOVIL Telecom 3.0, S.A.U.

Shares price was formed by the following elements:

- Payment in cash of 1,750 thousand Euros.
- Variable price depending on the acquired company to reach and fulfils some goals during the years 2015, 2016, 2017 and 2018. If these goals are fulfilled for each of the years the following amounts will have to be paid to the seller: 485 thousand Euros for each of the years 2015 and 2016, 970 thousand Euros for 2017 and 1,000 thousand Euros for 2018. At the closing of 2016 it was estimated as reasonable value for said deferred payment the amount of 1,308 thousand Euros (1,528 thousand Euros in 2015).
- A deferred price consisting in the delivery to the buyer on January 2<sup>nd</sup>, 2018 the amount of 175,000 shares of the parent Company (MÁSMOVIL IBERCOM, S.A.), valued at the moment of the transaction in a total of 3,150 thousand Euros, representing a price per share of 18 Euros which is recorded under item Other net equity instruments.

Variable payments accrued in 2015 and 2016 have already been paid by MÁSMOVIL. Business combination cost detail of the acquired net assets and consolidation goodwill reasonable value is as follows:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Embou Nuevas Tecnologías S.L. (In thousand euros)	Book value of the acquired company	Fair value adjustments	Fair value
Intangible fixed assets	0	2.511	2.511
Tangible fixed assets	497	0	497
Stock	6	0	6
Deferred tax assets	5	0	5
Other current assets	328	0	328
Non current assets	301	0	301
<b>Assets</b>	<b>1.137</b>	<b>2.511</b>	<b>3.648</b>
Short-term financial debts	-180	0	-180
Long-term financial debts	-1.584	0	-1.584
Other current liabilities	-347	0	-347
Deferred tax liabilities	-5	-628	-633
<b>Liabilities</b>	<b>-2.116</b>	<b>-628</b>	<b>-2.744</b>
Identifiable net assets acquired	-979	1.883	904
Combination cost, net of received cash			5.503
<b>Goodwill (provisory)</b>			<b>4.599</b>

- **Acquisition of the company Ebesis Sistemas S.L.**

Dated April 10<sup>th</sup>, 2015, the Group acquired 100% shares of the company Ebesis Sistemas S.L. transmitting 100% of company shares in favour of MÁSMOVIL Telecom 3,0, S.A.U.

Shares price was formed by the following elements:

- Payment in cash of 200 thousand Euros.
- A deferred price of 300 thousand Euros (100 thousand Euros in the first anniversary of the purchase agreement, 150 thousand Euros in the second and 50 thousand Euros in the third). The first two deferred payments have already been paid by MÁSMOVIL. At closing of year 2016 the reasonable value of said deferred payment was estimated at 187 thousand Euros (269 thousand Euros in 2015).
- Delivery to the buyer initially agreed on January 2<sup>nd</sup>, 2016 (later on corrected as per addenda to June 15<sup>th</sup>, 2016) of the amount of 20,000 shares of the company MÁSMOVIL IBERCOM S.A., valued at the transaction date on a total of 360 thousand Euros, representing a price per share of 18 Euros which is recorded under item Other net equity instruments.

Business combination cost detail of the acquired net assets and consolidation goodwill reasonable value is as follows:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Ebesis Sistemas S.L. (In thousand euros)	Book value of the acquired company	Fair value adjustments	Fair value
Intangible fixed assets	0	0	0
Tangible fixed assets	76	0	76
Stock	0	0	0
Deferred tax assets	0	0	0
Other current assets	267	0	267
Non current assets	0	0	0
<b>Assets</b>	<b>343</b>	<b>0</b>	<b>343</b>
Short-term financial debts	0	0	0
Long-term financial debts	-161	0	-161
Other current liabilities	-107	0	-107
Deferred tax liabilities	0		
<b>Liabilities</b>	<b>-268</b>	<b>0</b>	<b>-268</b>
Identifiable net assets acquired	75	0	75
Combination cost, net of received cash			789
<b>Goodwill (provisory)</b>			<b>714</b>

- **Acquisition on company Neo Operador de Telecomunicaciones S.L.U.**

Dated May 14<sup>th</sup>, 2015, the Group through the company Xtra Telecom, S.A.U. acquired 100% shares in company Neo Operador de Telecomunicaciones, S.L.U. to its sole shareholder the company Neo-Sky 2002, S.A.

The transaction cost was 28,640 thousand Euros for the acquisition of 4,050,000 shares of 1 euro face value each. The selling part received 7,515 thousand Euros and the remaining 21,125 thousand Euros through new emission shares of the parent Company (MÁSMOVIL IBERCOM, S.A.) compensating for that a credit in favour of the seller for the deferred payment taken by said company. The amount of ordinary shares from MÁSMOVIL IBERCOM delivered was of 1,252,606 of 0.10 Euros face value each and an emission bonus of 16.76483979 Euros per share plus an adjustment in cash of 0.50 Euros.

Before the transaction, the Group had no investment in the acquired company.

Business combination cost detail of the acquired net assets and consolidation goodwill reasonable value is as follows:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Neo Operador de Telecomunicación (In thousand euros)	Book value of the acquired company	Fair value adjustments	Fair value
Intangible fixed assets	376	5.889	6.265
Tangible fixed assets	1.602	0	1.602
Stock	0	0	0
Deferred tax assets	201	0	201
Other current assets	5.080	0	5.080
Non current assets	9	0	9
<b>Assets</b>	<b>7.268</b>	<b>5.889</b>	<b>13.157</b>
Short-term financial debts	0	0	0
Long-term financial debts	-16	0	-16
Other current liabilities	-3.054	0	-3.054
Deferred tax liabilities	0	-1.472	-1.472
<b>Liabilities</b>	<b>-3.070</b>	<b>-1.472</b>	<b>-4.542</b>
Identifiable net assets acquired	4.198	4.417	8.615
Combination cost, net of received cash			28.494
<b>Goodwill (provisory)</b>			<b>19.879</b>

When financial statement reveal important changes in net sales or income, provide a narrative comment on these changes

Below there are details of the three (3) months ended on March 31<sup>st</sup>, 2017 and 2016 and years 2016, 2015 and 2014 profit and loss accounts:

Loss and Profit Account (In thousand euros)	2017 (3m)	2016 (3m)	Var. 16-17(3m) %
Ordinary Income	296.857	33.924	775,06%
Other Operating income	7.573	47	16012,77%
Consumption of goods, raw materials and consumables	-169.440	-22.022	669,41%
Employee benefits expense	-9.642	-4.818	100,12%
Depreciation and amortisation expenses	-28.428	-3.644	680,13%
Other operating expenses	-84.955	-5.934	1331,66%
Other results	0	0	-
<b>OPERATING RESULT</b>	<b>11.965</b>	<b>-2.447</b>	<b>-588,97%</b>
Financial Income	306	18	1600,00%
Financial Expenses	-15.805	-235	21114,47%
Change in fair value of financial instruments	99	0	-
<b>FINANCIAL RESULT</b>	<b>-15.400</b>	<b>-217</b>	<b>22687,56%</b>
<b>PRE-TAX PROFIT OR LOSS</b>	<b>-3.435</b>	<b>-2.664</b>	<b>1307,06%</b>
Tax on Profits	-4.290	-960	346,88%
<b>RESULT OF THE FINANCIAL YEAR</b>	<b>-7.725</b>	<b>-3.624</b>	<b>1052,70%</b>
Income contributed by the controlling company	-7.725	-3.624	1052,70%
Income contributed by external partners	0	-	-
<b>RESULT OF THE FINANCIAL YEAR</b>	<b>-7.725</b>	<b>-3.624</b>	<b>1052,70%</b>
Other comprehensive income, net of tax	90	10	800,00%
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-41,684</b>	<b>-3.614</b>	<b>1053,40%</b>

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Loss and Profit Account (In thousand euros)	2016	2015	2014	Var. 15-16 %	Var. 14-15 %
Ordinary Income	401.020	130.249	77.005	207,89%	69,14%
Other Operating income	9.832	3.299	2.416	198,03%	36,55%
Consumption of goods, raw materials and consumables	-262.871	-89.498	-58.818	193,72%	52,16%
Employee benefits expense	-28.221	-14.696	-8.412	92,03%	74,70%
Depreciation and amortisation expenses	-41.204	-10.382	-3.905	296,88%	165,86%
Other operating expenses	-119.103	-18.487	-8.517	544,25%	117,06%
Other results	0	0	56	-	-100,00%
<b>OPERATING RESULT</b>	<b>-40.547</b>	<b>485</b>	<b>-175</b>	<b>-8.460,21%</b>	<b>-377,14%</b>
Financial Income	4.852	36	447	13.377,78%	-91,95%
Financial Expenses	-25.350	-2.537	-959	899,21%	164,55%
Change in fair value of financial instruments	0	0	0	-	-
<b>FINANCIAL RESULT</b>	<b>-20.498</b>	<b>-2.501</b>	<b>-512</b>	<b>719,59%</b>	<b>388,48%</b>
<b>PRE-TAX PROFIT OR LOSS</b>	<b>-61.045</b>	<b>-2.016</b>	<b>-687</b>	<b>2.928,03%</b>	<b>193,45%</b>
Tax on Profits	2.994	509	809	488,21%	-37,08%
<b>RESULT OF THE FINANCIAL YEAR</b>	<b>-58.051</b>	<b>-1.507</b>	<b>122</b>	<b>3.752,09%</b>	<b>-1.335,25%</b>
Income contributed by the controlling company	-58.051	-1.507	144	3.752,09%	-1.146,53%
Income contributed by external partners	0	0	-22	-	-100,00%
<b>RESULT OF THE FINANCIAL YEAR</b>	<b>-58.051</b>	<b>-1.507</b>	<b>122</b>	<b>3.752,09%</b>	<b>-1.335,25%</b>
Other comprehensive income, net of tax	-34	-6	-4	466,67%	50,00%
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-58.085</b>	<b>-1.513</b>	<b>118</b>	<b>3.739,06%</b>	<b>-1.382,20%</b>

### Ordinary income

Detail of ordinary income in the first quarter 2017 and 2016 is as follows:

Ordinary Income (In thousand euros)	31/03/2017			31/03/2016		
	National	Intern.	Total	National	Intern.	Total
Companies and <i>Wholesale</i>	32.169	136	32.305	25.114	68	25.182
Residential	264.552	0	264.552	8.742	0	8.742
<b>Ordinary Income</b>	<b>296.721</b>	<b>136</b>	<b>296.857</b>	<b>33.856</b>	<b>68</b>	<b>33.924</b>

2016 first quarter residential area ordinary income evolution as compared to the same period in 2017 is heavily influenced by acquisitions of Xfera, Pepephone and Llamaya business unit, together with the launching of convergent commercial offer, which makes income rise to 296,857 thousand Euros.

Business area and *wholesale* (wholesale operators) income maintain their sustained growth supported in the good development of the mobile business and better behaviour of wholesale segment.

Detail of ordinary income in 2016, 2015 and 2014 is as follows:

Ordinary Income (In thousand euros)	2016			2015			2014		
	National	Intern.	Total	National	Intern.	Total	National	Intern.	Total
Companies and <i>Wholesale</i>	115.329	1.152	116.481	98.692	1.628	100.320	58.594	642	59.236
Residential	284.539	0	284.539	29.929	0	29.929	17.769	0	17.769
<b>Ordinary Income</b>	<b>399.868</b>	<b>1.152</b>	<b>401.020</b>	<b>128.621</b>	<b>1.628</b>	<b>130.249</b>	<b>76.363</b>	<b>642</b>	<b>77.005</b>

Evolution of Company's ordinary income for the analyzed period has been influenced not just by the business' organic growth but also by different acquisitions through these years.

2016 figures, mainly for the residential segment have been heavily impacted by the acquisitions of Pepephone and Yoigo (in the last four months of the year), which pushes income in this area to 284,5 million Euros reaching over 4.2 million active mobile services. Additionally, this is the year of launching the convergent broadband offer on assets acquired to Orange in 2015 and the very network the Group is deploying that allows the company to reach 122,000 broadband accesses by the end of the period. Business and wholesale operators' area continues to successfully develop mobile and landline businesses.

In 2015, business and wholesale operators' business unit show a sustained growth both in landlines and mobile phones, compensating negative impacts on landlines regulatory world as the negative trend of the wholesale market that tends to contract income in this segment. Additionally the Neo Operator business is added after its acquisition by the end of the first half of the year, which allows it to reinforce its presence in the residential and entrepreneurial segment, as Neo has a network structure on the 3,5 GHz frequency for which it has use exclusive rights, and it may have exclusive access to a 4G/LTE network (*long term evolution* or high speed data transmission) with great growth capacity, as its level of use is below the saturation degree. On its side the residential segment keeps expanding reaching 458,000 services connected to the network, with a strong focus in valuable clients (post payment services are above 50% of the portfolio at year closing) that together with the previous year acquisitions consolidation lead to grow income over 68%.

So, 2014 shows not just the positive evolution of the residential business (levering MÁSMOVIL business virtual mobile operator) which was above 350,000 mobile services but also add companies and wholesalers business units results, sustained in the acquisition of operators Xtra Telecom and Quantum Telecom specialized in this segment.

#### Consumption of merchandise, raw materials and consumables

Consumption expenditure details on merchandise, raw materials and consumables on the first quarter 2017 and 2016 is as follows:

Consumption of goods, raw materials and consumables (In thousand euros)	31/03/2017	31/03/2016
Consumption of goods	52.538	3.603
Consumption of raw materials and other consumables	69.937	17.079
Works carried out by other companies	47.145	1.340
<b>Consumption of goods, raw materials and consumables</b>	<b>169.620</b>	<b>22.022</b>

Aligned with what was mentioned under ordinary income, change as compared to the first quarter 2016 is very much influenced by acquisitions during the period, which on the one side causes an increase in costs associated to income but also better productivity of income as it has a mix of products which are better positioned in value.

Consumption expenditure details on merchandize, raw materials and consumables in 2016, 2015 and 2014 is as follows:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Consumption of goods, raw materials and consumables (In thousand euros)	2016	2015	2014
Consumption of goods	73.603	9.838	8.752
Consumption of raw materials and other consumables	147.460	35.833	21.198
Works carried out by other companies	41.808	43.827	28.868
<b>Consumption of goods, raw materials and consumables</b>	<b>262.871</b>	<b>89.498</b>	<b>58.818</b>

Concepts included in each of the three (3) headings from the table are mainly:

- Consumption of goods: Acquisition of phones and SIM cards.
- Consumption of raw materials and other consumables material: costs of roaming (national and international), interconnection and associated expenditure on the use of Jazz Telecom copper network and the contract of access services to fibre services (as per contracts described under paragraph 22.1 regarding "Remedies of xDSL" and "Orange fibre access service agreement").
- Works performed by other companies: distribution costs (commissions and subsidies) and logistics costs.

The result of the grouping is directly related with income evolution as it includes all associated direct costs to services rendered. Evolution of said item since 2014, where were included mainly MÁSMOVIL virtual operator costs and access cost of landline business and wholesalers of acquired operators by then, until 2016 which included figures from the acquired companies show an expansion on consumption. Evolution shown reflects sustained improvement in profitability reached by the Group and based both in better management of direct service costs and focusing on value products.

#### Expenses on employees' benefits

Detail of expenses on employees' benefits in the first quarter 2017 and 2016 is as follows:

Personnel expenses (In thousand euros)	31/03/2017	31/03/2016
Wages and salaries	7.773	3.963
Social Security contribution	1.869	855
Other social costs	0	0
<b>Personnel expenses</b>	<b>9.642</b>	<b>4.818</b>

Xfera, Pepephone and Llamaya business unit acquisitions led to an increase in the number of employees of close to 550 that appear in the closing of the first quarter from 2017, which meant an increase in expenses on employees' benefits.

Detail of expenses on employees' benefits in 2016, 2015 and 2014 is as follows:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Personnel expenses (In thousand euros)	2016	2015	2014
Wages and salaries	23.719	11.743	6.834
Social Security contribution	4.502	2.659	1.448
Other social costs	0	294	130
<b>Personnel expenses</b>	<b>28.221</b>	<b>14.696</b>	<b>8.412</b>

Evolution of expenses on benefits is directly connected to the evolution of the workforce, which went from 275 employees by the end of 2014 to 513 in 2016. This increase was accompanied by more professionalization of operational teams and staff to provide an answer to the Group's growth goals.

#### Other exploitation expenses

Detail of Other exploitation expenses in the first quarter of 2017 and 2016 is as follows:

Other Operating Expenses (In thousand euros)	31/03/2017	31/03/2016
Independent professional services	17.787	2.955
Leases	24.185	543
Publicity, advertising and public relations	7.840	1.000
Repairs and maintenance	11.978	239
Fees	11.760	0
Others	2.685	487
Losses, impairment and variation in provisions	4.980	412
Supplies and other services	1.746	158
Various services	1.651	116
Transport	221	0
Insurance premiums and fees	122	24
<b>Other Operating Expenses</b>	<b>84.955</b>	<b>5.934</b>

Exploitation expenses, like the rest of the business, mainly reflect the addition of Xfera and Pepephone, showing a remarkable increase in the items these contribute to the Group (i.e. canons, leasing and professional services) and the rest of lines that by size increase volume.

Under Independent professional services there are the costs associated to Customer Care platforms, companies' integration costs and part of the non exclusive Distribution payments.

Additionally, to the line Other exploitation expenses are included expenses associated to temporary outsourcing of the network FTTH management to Jazz Telecom (Repairs and preservation) and access services to broadband data (leasing) as per described agreements in item 22.1 of this Registration document regarding "Compraventa Jazz Telecom FTTH network

sales contract”, “Broadband services” and “FTTH traffic transportation service”. Detail of Other exploitation expenses in 2016, 2015 and 2014 is as follows:

Other Operating Expenses (In thousand euros)	2016	2015	2014
Independent professional services	43919	7638	3037
Leases	23759	1577	631
Publicity, advertising and public	12420	3497	1516
Repairs and maintenance	12046	360	254
Fees	11671	0	0
Others	5595	1508	512
Losses, impairment and variation in	5081	1946	922
Supplies and other services	2346	1070	351
Various services	1725	466	831
Transport	271	268	92
Insurance premiums and fees	270	157	371
<b>Other Operating Expenses</b>	<b>119,103</b>	<b>18,487</b>	<b>8,517</b>

Exploitation expenses followed a growth trend aligned with the very Group’s development. This increase is observed specially in 2016, that includes not just the addition of Pepephone and Yoigo (the later with a cost structure quite higher than the rest of Group’s companies), but also costs associated to the acquisition of said companies and launching of the new converging offer.

Regarding the independent professional services line, in 2016 are added mainly costs related to consultants and professionals that provided external services to the Company, being its growth in the year associated to expenses derived from business combinations in the amount of 16,078 thousand Euros, as well as acquired companies integration expenses for 11,957 thousand Euros.

#### Depreciation and amortization expenses

Depreciation and amortization expenses were together with the Company’s inorganic growth which occurred due to the addition of companies to the Group which meant a noticeable growth in said line.

See section 20.1.2.1. from this Prospectus Registration document.

#### Financial income

2017 first quarter financial income was 306 thousand Euros, while in the first quarter 2016 was 18 thousand Euros.

Net profit and loss amount by financial assets category in 2016, 2015 and 2014 is as follows:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Profit and Loss by financial asset Changes in fair value	31/12/2016		31/12/2015		31/12/2014	
	Loans and	Equity	Loans and	Equity	Loans and	Equity
Profits from the sale of financial	4.457	0	0	0	0	0
Financial profit applying the amortised	324	0	36	0	447	0
Exchange differences	71	0	0	0	0	0
Profit (loss) from asset disposal	0	0	0	-239	0	-212
Changes in fair value	0	0	0	0	0	0
<b>Profit and Loss by financial asset</b>	<b>4.852</b>	<b>0</b>	<b>36</b>	<b>-239</b>	<b>447</b>	<b>-212</b>

Profit shown in financial assets corresponding to 2016 corresponds with the agreement with one of Yoigo's former shareholders due to the Note's cancellation of said company's acquisition.

#### Financial expenses

The net profit and loss amount by financial liabilities categories in the first quarter 2017 and 2016 is as follows:

Profit and Loss by financial liability category  (In thousand euros)	31/03/2017	31/03/2016
	Debits and accounts payable	Debits and accounts payable
Losses	-72	0
Financial expenses applying the amortised cost method	-15.733	-235
Reasonable values to financial liabilities	-34,049	0
<b>Profit and Loss by financial liability category</b>	<b>-49,854</b>	<b>-235</b>

Increase in financial expenses corresponds to financing operations carried out in 2016 as consequence of companies' acquisition within the Group's inorganic growth framework.

The net profit and loss amount by financial liabilities categories in 2016, 2015 and 2014 is as follows:

Profit and Loss by financial liability Financial profit applying the amortised co	31/12/2016	31/12/2015	31/12/2014
	Debits and	Debits and	Debits and
Losses	0	0	0
Financial expenses applying the	-24.466	-2.537	-959
Changes in fair value	-884	0	0
<b>Profit and Loss by financial liability</b>	<b>-25.350</b>	<b>-2.537</b>	<b>-959</b>

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

The increase occurred in 2016 is due to expenses associated to the financing of the acquisition of Pepephone and Yoigo.

Income by tax on profit

Existing relation between expenditure by tax on profit and loss of continued activities in the first quarter of 2017 and 2016 is as follows:

Reconciliation of income tax (In thousand euros)	31/03/2017	31/03/2016
Profit / (Loss) from financial year before taxes on operating activities	-37,484	-2.664
Tax calculated at the applicable tax rate	9,640	715
Non-deductible expenses	0	0
Effect from changes in tax rate	0	0
Permanent Differences	0	0
Receivables from tax rebates and credits	0	0
Prior period adjustments	0	-1.000
Non-recognised tax credits	-13,930	-675
Reversal for liability deferred taxes	0	0
Profit from income tax	0	0
<b>Expenses / (Profit) from income tax</b>	<b>-4,290</b>	<b>-960</b>

Detail of tax income and conciliation on profit from 2016, 2015 and 2014 is as follows:

Income from taxes on earnings (In thousand euros)	31/12/2016	31/12/2015	31/12/2014
From current financial year	-294	-131	0
<b>Current Tax</b>	<b>-294</b>	<b>-131</b>	<b>0</b>
Origination and reversal of timing differences	3.481	640	809
Assets from deferred taxes not recognised in prior years	-193	0	0
<b>Deferred Taxes</b>	<b>3.288</b>	<b>640</b>	<b>809</b>
<b>Income from taxes on earnings</b>	<b>2.994</b>	<b>509</b>	<b>809</b>

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Reconciliation of income tax Permanent Differences	31/12/2016	31/12/2015	31/12/2014
Profit / (Loss) from financial year before taxes	-61.045	-2.016	-687
Tax calculated at the applicable tax rate	15.819	564	206
Non-deductible expenses	0	0	-178
Effect from changes in tax rate	0	0	11
Permanent Differences	523	-48	0
Receivables from tax rebates and credits	79	263	0
Prior period adjustments	-1.606	-525	200
Non-recognised tax credits	-11.821	0	0
Reversal for liability deferred taxes	0	0	539
Profit from income tax	0	255	31
<b>Expenses / (Profit) from income tax</b>	<b>2.994</b>	<b>509</b>	<b>809</b>

Information regarding any governmental, economic, fiscal, monetary or political action or factor that, directly or indirectly, have affected or may affect the Issuer's operations in an important manner

Factors that may affect the Issuer's operations are the risk factors detailed under Section II of this Registration document (1.1, 1.2, 1.3, 1.4, and section 2 of risk factors for offered and/or admitted to listing securities).

## 10. FINANCIAL RESOURCES

### 10.1. Information related to Issuer's financial resources (short and long term)

This section includes a summary of the Issuer's net equity and debt by March 31<sup>st</sup>, 2017 and December 31<sup>st</sup> 2016, 2015 and 2014.

Balance statement net equity and liabilities composition is as follows:

#### Net equity

Net equity detail is as follows:

Equity (In thousand euros)	31/03/2017	31/12/2016	31/12/2015	31/12/2014	Var. 16-17 (3m) %	Var. 16-15 %	Var. 15-14 %
Capital Share	1.995	1.995	1.177	1.051	0,00%	69,50%	11,99%
Issuance Share	246.652	246.652	87.470	66.470	0,00%	181,98%	31,59%
Accumulated profits and other reserves	-104,372	-62.645	-1.881	-918	-99,83%	3230,41%	104,90%
Treasury Shares	-279	-375	-1.241	-1.326	-25,60%	-69,78%	-6,41%
Other Equity instruments	70.088	70.022	3.510	0	0,09%	1894,93%	-
Currency translation differences	46	-44	-10	-4	-204,55%	340,00%	150,00%
<b>Total Equity</b>	<b>214,130</b>	<b>255.605</b>	<b>89.025</b>	<b>65.273</b>	<b>-99,92%</b>	<b>187,12%</b>	<b>36,39%</b>

#### Capital

By December 31<sup>st</sup>, 2016, MÁSMOVIL Ibercom, S.A. share capital was represented by 19,951,100 shares of 0.10 Euros face value each (11,766,956 shares of 0.10 Euros face value each at December 31<sup>st</sup>, 2015), totally paid. All shares have the same political and economic rights.

At December 31<sup>st</sup>, 2016, shares were in hands of different shareholders, being the main ones PLT VII Holco Sarl (Providence) with 18.0% and Onchena, S.L. with 17.1%. At December 31<sup>st</sup>, 2015 the main shareholders were Mr. José Eulalio Poza Sanz with 11.3% and Neo Sky 2002, S.A. with 10.3% (both were under 10% at December 31<sup>st</sup>, 2016).

MÁSMOVIL in virtue of agreement by the Shareholders General Meeting date June 23<sup>rd</sup>, 2016, increased its capital share by 818 thousand Euros, through the issuing and circulation of 8,184,144 new shares of 0.10 Euros face value each, with an issuing premium of 19.45 Euros per share, with a total issuing premium of 159,182 thousand Euros. The new shares were subscribed and paid through cash contributions.

Issuing costs directly attributed to new shares net equity amounted to 1,945 thousand Euros.

MÁSMOVIL, as agreed in the Shareholders General Meeting dated June 29<sup>th</sup>, 2015, increased its capital by credit compensation for an amount of 126 thousand Euros, through the issuing and circulation of 1,252,606 shares of 0.10 Euros face value each, of the same class and series than the ones currently in circulation at an issuing rate of 16.86 Euros per share between capital and issuing premium.

Issuing costs directly attributed to new shares net equity amounted to 84 thousand Euros.

#### Issue premium

Issue premium at December 31<sup>st</sup>, 2016 is 246,652 thousand Euros (87,470 thousand Euros at December 31<sup>st</sup>, 2015), from the capital increase in 2016 and previous years.

#### Accumulated profit and other reserves

At March 31<sup>st</sup>, 2017, accumulated profit and other reserves had a negative balance of 104,372 thousand Euros due to the corresponding result obtained at said closing date.

At December 31<sup>st</sup>, 2016 accumulated profit and other reserves had a negative balance of 62,645 thousand Euros (1,881 thousand Euros in 2015) which amount includes year losses of 58,051 thousand Euros (1,507 thousand Euros losses in 2015).

Parent company loss application proposal in years ended December 31<sup>st</sup>, 2014, 2015 and 2016 formulated by the administrators and approved by the General shareholders' meeting, was as follows:

Retained earnings (In thousand euros)	31/12/2016	31/12/2015	31/12/2014
Result of the financial year	-19.509	-1.881	4.756
<b>Basis of distribution</b>	<b>-19.509</b>	<b>-1.881</b>	<b>4.756</b>
Accumulated losses	-19.509	-1.881	0
Voluntary reserves	0	0	4.756
<b>Distribution / (Use)</b>	<b>-19.509</b>	<b>-1.881</b>	<b>4.756</b>

Legal reserve was provisioned as per article 274 of Spanish Companies Act, which provides that in any case a figure equal to 10% of year profit will be assigned to this until it reaches at least 20% of share capital.

It cannot be distributed if it is used to compensate losses, in case there are no other available reserves for this purpose it will have to be replenished with future profits.

At December 31<sup>st</sup>, 2016, legal reserve amount was 119 thousand Euros.

#### Treasury shares

MÁSMOVIL IBERCOM, S.A. General Shareholders' Meeting agreed on March 23<sup>rd</sup>, 2012 to authorize the acquisition of treasury shares up to a maximum of 10% share capital, at a price that could not be higher or lower than 30% of the previous month quotation; the authorization was granted for a five (5) years period since the agreement.

Likewise, the Board of Directors held on November 3<sup>rd</sup>, 2014 authorized the acquisition of treasury shares by the Company, within the limits marked by the General shareholders' meeting. In this agreement was expressly established that, among others, the purpose of acquiring own shares by the Company was to help on companies' acquisitions operations. As per said agreement, a treasury shares acquisition program was started on November 6<sup>th</sup>, 2014.

In 2016, MÁSMOVIL proceeded to sale treasury shares with an acquisition value of 8,098 thousand Euros (9,128 thousand Euros in 2015) generating a decrease in reserves of 261 thousand Euros (increase in reserves of 766 thousand Euros in 2015) due to the difference between average acquisition price and sale price.

At 2016 closing MÁSMOVIL had 14,939 treasury shares acquired at an average weighted price of 25.11 Euros per share (55,180 treasury shares at December 31<sup>st</sup>, 2015 with a weighted average price of 22.49 Euros per share).

2017 first quarter and during 2016, 2015 and 2014 there were the following operations with treasury shares:

Treasury shares	No. of shares			
	31/03/2017	2016	2015	2014
1 January	14.939	55.180	98.010	10.572
Additions	30.748	354.133	371.744	898.275
Disposals	-37.444	-394.374	-414.574	-810.837
<b>31 December</b>	<b>8.243</b>	<b>14.939</b>	<b>55.180</b>	<b>98.010</b>

#### Other net equity instruments

In 2016 the value of Other net equity instruments was considerably increased due to the issue of convertible bonds.

On September 23<sup>rd</sup>, 2016, the Company formalized the issuing of convertible or exchangeable bonds for MÁSMOVIL Ibercom, S.A. shares agreed by the company's General shareholders' meeting on August 16<sup>th</sup>, 2016, for a face amount of 165 million Euros, with total exclusion of Company's shareholders' preferred subscription rights. On October 5<sup>th</sup>, 2016 were fully subscribed and paid for by the company Providence, all 1,650 bonds issued for a unit face value of 100,000 Euros to a total face value of 165 million Euros with maturity in eight (8) years and annual fixed interest rate of 6.35% capitalizable as larger debt.

Bonds may be converted, at buyer option, any date from the month thirty-nine (39) after the initial issuing, that is from December 23<sup>rd</sup>, 2019, and until the seventh work day previous to maturity (September 23<sup>rd</sup>, 2024). The initial price at which the bonds would be converted is established in 22 Euros per share and is subject to adjustment in circumstances described under the Term and Conditions of the Bonds without same been able to generate a significant economic dilution or protected before potential losses of shares value.

This issuing was considered a compounded financial instrument dividing it in a liability of amortized cost for 98,747 thousand Euros and a component of equity for the remaining 66,253 thousand Euros at December 31<sup>st</sup>, 2016, due to the issuing including an option for the Issuer to exchange new issuing share of the very MÁSMOVIL. This equity component is included in section "Other net equity instruments".

As part of the agreement, Providence has two positions in MÁSMOVIL's Board of directors (although with no veto right, that is proprietary members of Providence in MÁSMOVIL's Board of directors have the right to vote but no veto right as they cannot veto any agreement adopted by majority of the Company's board), what allows the Company to profit from said entity sector knowledge.

In 2015 the value of all other net equity instruments increased 3,510 thousand Euros due to payment in shares postponed to acquisition of companies Embou and Ebesis (MÁSMOVIL 175,000 shares with a value per share of 18 Euros in favour of Embou's selling partners and MÁSMOVIL's 20,000 shares with a value per share of 18 Euros in favour of Ebesis selling partners).

Indebtedness Group's configuration resulting in acquisitions of Yoigo and Pepephone, as well as massive issuing of Group's converging offer for residential clients, accompanied a deep

transformation in the Group's financial structure; all of this with the purpose of creating a proper financial structure for the new dimension and Group's strategic needs.

In this sense corporate transactions, which jointly formed a total cost of 752,686 thousand Euros (594,686 thousand Euros in the case of Yoigo and 158,000 thousand Euros in the case of Pepephone) as well as the deployment of FTTH infrastructure were financed through a balanced combination of capital, Group's shares convertible instruments, indebtedness with credit entities and issuing of securities in market capitals. Specifically the Group issued financial instruments for an amount close to 1,000 million Euros in 2016.

About 50% of the aforementioned amount, about 490.5 million Euros, correspond to capital or Group's shares convertible instruments (capital for 160 million Euros, Providence bonds for 165 million Euros and the Note on Xfera acquisition for a face value of 165,5 million Euros) and the remaining 511.5 million Euros corresponding to debt acquired to credit institutions (356 million Euros of senior syndicated loan and 95.5 million Euros of junior subordinated loan) together with issuing in capital markets (60,000 thousand Euros between bonds issued in 2016 and commercial paper used on this same year).

The following table shows in detail financial liabilities at March 31<sup>st</sup>, 2017 and December 31<sup>st</sup>, 2016, 2015 and 2014:

Financial liabilities (In thousand euros)	31/03/2017		31/12/2016		31/12/2015		31/12/2014	
	Non current	Current	Non current	Current	Non current	Current	Non current	Current
Debts with credit institutions	438.557	32.373	434.125	35.939	2.003	10.797	2.471	4.040
Other debts	5.898	880	5.756	939	5.522	1.244	6.910	743
Debts under finance lease	32.725	6.747	34.350	6.782	243	102	288	134
Other financial liabilities	240.257	119.955	181.998	136.159	52.128	111.521	5.648	3.324
Financial derivative instruments	57,212	60.499	27.727	72.741	0	0	0	0
<b>Financial liabilities</b>	<b>774,649</b>	<b>220.454</b>	<b>683.956</b>	<b>252.560</b>	<b>59.896</b>	<b>123.664</b>	<b>15.317</b>	<b>8.241</b>

The following table shows financial liability contract maturity including payments with interest at March 31<sup>st</sup>, 2017:

Financial liabilities (Thousand euros)	31/03/2017							
	Book value	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Debts with credit institutions	470.930	593.089	32.373	58.143	105.387	111.002	125.337	160.847
Other debts	6.778	6.636	880	727	1.143	1.354	0	2.532
Debts under financial lease	39.472	50.271	6.747	7.453	7.342	7.189	6.825	14.715
Other financial instruments	360.212	372.472	119.955	5.960	6.460	33.068	5.625	201.404
Financial derivative instruments	117,711	117,711	60.499	56,213	0	0	999	0
<b>Total</b>	<b>995,103</b>	<b>1.140,179</b>	<b>220.454</b>	<b>128,496</b>	<b>120.332</b>	<b>152.613</b>	<b>138.786</b>	<b>379.498</b>

The Company will face maturity of its debt in the short term as well as investment committed with resources from (i) net assets at March 31<sup>st</sup>, 2017 (98 million Euros), (ii) cash generated by the Group in the following months, (iii) lines of confirming (limit higher than 120 million Euros), (iv) credit policies (available 20 million Euros), and (v) Tranche E of Syndicated Loan still not used for an amount of 30 million Euros.

MÁSMOVIL has confirming lines for a bit over 120 million Euros that are offered to Group's suppliers to discount invoices issued to the Group. These lines represent a number of advantages for MÁSMOVIL suppliers: (i) provide their suppliers flexibility and the possibility of collecting their invoices sooner, (ii) discount prices are more attractive than the ones the supplier usually have in the market, (iii) it consumes no suppliers bank risk.

Furthermore, confirming has no cost for MÁSMOVIL and at the same time allows to improve the Group's payment conditions, liquidity and working capital.

The average cost of the financial indebtedness at March 31<sup>st</sup>, 2017 increases to 4,48%, being its average life of 5,52 years at this exact date. At December 31<sup>st</sup>, 2016 the average cost of the financial indebtedness was of 4,83%, being its average life then of 5,71 years.

#### 10.1.1.1. Debts with credit institutions

The following table shows detail of debt with credit institutions at March 31<sup>st</sup>, 2017 and December 31<sup>st</sup>, 2016, 2015 and 2014:

Debts with credit institutions (In thousand euros)	31/03/2017		31/12/2016		31/12/2015		31/12/2014	
	Non current	Current	Non current	Current	Non current	Current	Non current	Current
Loans	438.557	11.047	434.125	14.197	2.003	2.504	2.471	3.017
Credit Lines	0	15.955	0	19.619	0	8.281	0	989
Interest accrued at maturity	0	3.771	0	922	0	6	0	28
Other debts with Banks	0	1.600	0	1.201	0	6	0	6
<b>Debts with credit institutions</b>	<b>438.557</b>	<b>32.373</b>	<b>434.125</b>	<b>35.939</b>	<b>2.003</b>	<b>10.797</b>	<b>2.471</b>	<b>4.040</b>

Credits terms and conditions at December 31<sup>st</sup>, 2016 are the following:

Debts with credit entities (In thousand euros)	Currency	Interest	Effective interest rate	Maturity Date	31/12/2016			
					Nominal	Current	Non current	Total
Different financial institutions (Senior C	EUR	Variable	3,50%	2021	356.059	10.131	337.233	347.364
Société Générale, Sucursal en España (Ji	EUR	Variable	14,50%	2022	95.500	0	95.958	95.958
Banco Bilbao Vizcaya Argentaria, S.A. (El	EUR	Variable	3,66%	2018	300	60	45	105
Kutxabank, S.A.	EUR	Variable	0,60%	2017	268	10	0	10
Kutxabank, S.A.	EUR	Variable	2,59%	2017	63	7	0	7
Kutxabank, S.A. (Luzaro)	EUR	Variable	3,45%	2017	210	39	0	39
Banco Popular Español, S.A.	EUR	Variable	4,25%	2021	400	42	161	203
Cajas Rurales Unidas, Sociedad Coopera	EUR	Variable	4,00%	2021	367	38	145	183
Cajas Rurales Unidas, Sociedad Coopera	EUR	Variable	3,50%	2017	250	28	0	28
Banco de Sabadell, S.A.	EUR	Variable	3,00%	2021	440	32	137	169
Caixabank, S.A.	EUR	Variable	1,75%	2019	500	165	198	363
Banco Santander, S.A.	EUR	Variable	1,15%	2017	190	190	0	190
Banco Popular Español, S.A.	EUR	Variable	4,81%	2017	200	70	0	70
Deutsche Bank, S.A.	EUR	Variable	3,52%	2017	400	23	0	23
Banco de Sabadell, S.A.	EUR	Variable	4,75%	2017	100	17	0	17
Banco Popular Español, S.A.	EUR	Variable	4,64%	2017	150	13	0	13
Banco Popular Español, S.A.	EUR	Variable	5,56%	2017	150	11	0	11
Deutsche Bank, S.A.	EUR	Variable	4,00%	2017	400	18	0	18
Banco Santander, S.A.	EUR	Fixed	1,15%	2017	1.762	1.762	0	1.762
Banco Santander, S.A.	EUR	Fixed	1,15%	2017	1.075	1.068	0	1.068
Banco Santander, S.A.	EUR	Fixed	1,15%	2017	105	105	0	105
Banco Santander, S.A.	EUR	Fixed	1,15%	2017	500	28	0	28
Banco Popular Español, S.A.	EUR	Fixed	5,50%	2017	300	28	0	28
Bankia, S.A.	EUR	Fixed	2,21%	2017	500	142	0	142
Banco Popular Español, S.A.	EUR	Fixed	5,88%	2017	200	7	0	7
Bankinter, S.A.	EUR	Fixed	4,76%	2017	400	43	0	43
Banco Santander, S.A.	EUR	Fixed	2,08%	2019	600	120	248	368
Others*						19.619	0	19.619
Interest						922	0	922
Other debts with banks						1.201	0	1.201
<b>Debts with credit entities</b>					<b>35.939</b>	<b>434.125</b>	<b>470.064</b>	

\* Credit facilities

#### Senior syndicated loan

Debts with credit institutions in the non-current tranche for an amount of 337,233 thousand Euros and in the current tranche for an amount of 10,131 thousand Euros correspond to a syndicated loan with several financial institutions for a face amount of 356,059 thousand Euros (without including Tranche E of 30,000 thousand Euros not used at December 31<sup>st</sup>, 2016), formalized on October 5<sup>th</sup>, 2016 by the Group in several tranches:

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

- Tranche A: For an amount of 42,200 thousand Euros, which debtor is the affiliate MÁSMOVIL Holdphone, S.A.U. Variable interest rate referenced at Euribor (Euribor + 3,5%), with interests monthly liquidation and return on principal every six months until 2021.
- Tranche B: For an amount of 148,400 thousand Euros, which debtor is Yoigo, also acting as guarantor. Variable interest rate referenced at Euribor (Euribor + 3.5%), with interests monthly liquidation and return on principal every six months until 2021.
- Tranche C: For an amount of 165,459 thousand Euros, which debtor is Yoigo, also acting as guarantor. Variable interest rate referenced at Euribor (Euribor + 3.5%), with interests monthly liquidation and return on principal every six months until 2021 an pre amortization period of eighteen (18) months.
- Tranche D: Guarantees issued in favour of former Yoigo minority shareholders.
- Tranche E: For an amount of up to 30,000 thousand Euros, considered as an available line of credit for all Group's entities, being the Group's entities also guarantors. The Group had neither used any amount at year closing in December 31<sup>st</sup>, 2016 nor at closing of first quarter 2017.

This Loan has an average cost of 3.5% and an average life at December 31<sup>st</sup>, 2016 of 3.3 years and 3.0 years at March 31<sup>st</sup>, 2017.

As this loan guarantee was formed a real right of lien on the following assets: All shares from MÁSMOVIL Telecom 3,0, S.A.U., Xtra Telecom, S.A.U. and MÁSMOVIL Broadband, S.A.U., as well as all company shares from Pepeworld, S.L.U, Pepemobile, S.L. and Pepe Energy, S.L.

The Group formalized at December 2016 an interest rate derivative to guarantee this new syndicated loan. Derivative syndicated value at December 31<sup>st</sup>, 2016 amounted to 1,098 thousand Euros.

The syndicated loan includes the obligation of fulfilling the following *covenants*: Financial leverage Senior net debt/ EBITDA ratio, Financial leverage Total Senior net debt/ EBITDA ratio and EBITDA over financial expenses ratio, which first test was done with 2017 first quarter intermediate financial statements fulfilling MÁSMOVIL all of them. Likewise there is the obligation of not surpassing a specific CAPEX level for 2017 and not surpassing a given debt level to pay dividends. Additionally to calculate debt and therefore leveraging and CAPEX ratios it is excluded from the bank perimeter MÁSMOVIL Broadband S.A.U.

Syndicated Loan and Subordinated Debt		Covenants as of 31/03/2017
Covenants	Formula	Contract
Senior Leverage	(Total Consolidated Senior Net Debt / EBITDA)	<4,00x
Total Leverage	(Total Consolidated Net Debt / EBITDA)	<5,00x
EBITDA on Financial Expenses	(EBITDA / Net Financial Expenses)	<4,00x
Dividend Allocation	(Total Consolidated Senior Net Debt / EBITDA)	<2,75x
Maximum CAPEX (annual 2017).- Thousand euros	(Total Investment)	65.000

“The result of Senior Net debt relative to the Group without including MÁSMOVIL Broadband (excluded by agreement), is obtained by adding the amount in the long and short term (i) of the syndicated loan, (ii) del of the matrix bond, (iii) of promissory notes, (iv) of loans and bank policies, (v) of debt by acquisition of other companies, (vi) of debt with suppliers of over 120 days, (vii) of collateral issued to third parties, and subtracting the cash position without including *Cash Collateral* corresponding to ACS *Note*’s guarantee.

Total Net Debt is built by adding to the previous amount the amount for *Junior* debt (*Mezzanine*).”

#### Junior subordinated loan

Debts with credit institutions in the non-current tranche for an amount of 95,958 thousand Euros correspond to a junior subordinated loan agreed with the parent Company on September 29<sup>th</sup>, 2016 with Société Générale, Spanish branch, for a maximum amount of 95,500 thousand Euros with maturity on June 30<sup>th</sup>, 2022.

This amount of 95,958 thousand Euros corresponds to face amount of 95,500 thousand Euros minus opening costs plus interest accrued until December 31<sup>st</sup>, 2016.

Said loan has an annual interest for:

- The first twenty-four (24) months: Euribor (1% minimum) + 4.5 percentage points (*Cash Interest* margin) + 9 percentage points (*PIK Interest*).
- The following months until maturity: de Euribor (1% minimum) + 4.5 percentage points (*Cash Interest* margin) + 8.25 percentage points (*PIK Interest*).

“*Cash Interest*” is paid every six months and “*PIK Interest*” can be capitalized every six months.

This Loan had an average life at December 31<sup>st</sup>, 2016 of 5.5 years and of 5.25 years at March 31<sup>st</sup>, 2017.

This debt has the guarantees granted by main branches of Group MÁSMOVIL Ibercom: MÁSMOVIL Phone & Internet, S.A.U., MÁSMOVIL Holdphone, S.A.U., Xtra Telecom, S.A.U., MÁSMOVIL Telecom 3.0., S.A.U., Pepemobile, S.L. and Pepeworld, S.L.

*Junior* subordinated loan includes the obligation of fulfilling the following covenants: Financial leverage Senior net debt/ EBITDA ratio, Financial leverage Total Senior net debt/ EBITDA ratio and EBITDA over financial expenses ratio, which first test was done with 2017 first quarter intermediate financial statements fulfilling MÁSMOVIL all of them. Likewise there is the obligation of not surpassing a specific CAPEX level for 2017 and not surpassing a given debt level to pay dividends. Additionally to calculate debt and therefore leveraging and CAPEX ratios it is excluded from the bank perimeter MÁSMOVIL Broadband S.A.U

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Syndicated Loan and Subordinated Debt		Covenants as of 31/03/2017
Covenants	Formula	Contract
Senior Leverage	(Total Consolidated Senior Net Debt / EBITDA)	<4,00x
Total Leverage	(Total Consolidated Net Debt / EBITDA)	<5,00x
EBITDA on Financial Expenses	(EBITDA / Net Financial Expenses)	<4,00x
Dividend Allocation	(Total Consolidated Senior Net Debt / EBITDA)	<2,75x
Maximum CAPEX (annual 2017).- Thousand euros	(Total Investment)	65.000

“The result of Senior Net debt relative to the Group without including MÁSMOVIL Broadband (excluded by agreement), is obtained by adding the amount in the long and short term (i) of the syndicated loan, (ii) del of the matrix bond, (iii) of promissory notes, (iv) of loans and bank policies, (v) of debt by acquisition of other companies, (vi) of debt with suppliers of over 120 days, (vii) of collateral issued to third parties, and subtracting the cash position without including *Cash Collateral* corresponding to ACS *Note*’s guarantee.

Currently the company cannot share profits as it has a consolidated senior net debt/EBITDA ratio higher than 2.75x indicated in relation to the previously exposed covenants.

Total Net Debt is built by adding to the previous amount the amount for *Junior* debt (*Mezzanine*).”

#### 10.1.1.2. Other debts

At December 31<sup>st</sup>, 2016 and 2015, section “Other debts” mainly included debt corresponding to loans granted by public entities (Ministry of Industry, Tourism and Commerce) which effective interest rate varies between 0.00% - 4.00%, for a total amount of 6,408 thousand Euros at December 31<sup>st</sup>, 2016 (5,880 thousand Euros at December 31<sup>st</sup>, 2015 and 6,503 thousand Euros at March 31<sup>st</sup>, 2017). Current tranche on loans granted by public entities amounted to 738 thousand Euros at December 31<sup>st</sup>, 2016 (1,055 thousand Euros in 2015 and 680 thousand Euros at March 31<sup>st</sup>, 2017) while the non-current tranche was for 5,670 thousand Euros (4,825 thousand Euros at December 31<sup>st</sup>, 2015 and 5,823 thousand Euros at March 31<sup>st</sup>, 2017). The rest of the amount under “Other debts” (287 thousand Euros at December 31<sup>st</sup>, 2016 and 275 thousand Euros at March 31<sup>st</sup>, 2017) corresponded to collateral.

#### 10.1.1.3. Debts on financial lease

Detail of minimum payment and MÁSMOVIL current liability value via financial lease broken down on maturity terms at December 31<sup>st</sup>, 2016, 2015 and 2014 as well as March 31<sup>st</sup>, 2017 is as follows:

Debts under finance lease (In thousand euros)	31/03/2017		
	Min. Payments	Interest	Current value
Up to 1 year	7.531	857	6.673
Between 1 and 5 years	28.208	5.232	22.977
More than 5 years	12.962	3.452	9.509
	<b>48.701</b>	<b>9.541</b>	<b>39.159</b>
Minus current portion	-7.531	-857	-6.673
Total non current	41.170	8.684	32.486

Debts under finance lease (In thousand euros)	31/12/2016			31/12/2015			31/12/2014		
	Min. Payments	Interest	Current value	Min. Payments	Interest	Current Value	Min. Payments	Interest	Current value
Up to 1 year	7.609	-827	6.782	118	-16	102	144	-10	134
Between 1 and 5 years	30.312	-6.743	23.569	261	-18	243	339	-51	288
More than 5 years	12.969	-2.188	10.781	0	0	0	0	0	0
	<b>50.890</b>	<b>-9.758</b>	<b>41.132</b>	<b>379</b>	<b>-34</b>	<b>345</b>	<b>483</b>	<b>-61</b>	<b>422</b>
Minus current portion	-7.609	827	-6.782	-118	16	-102	-144	10	-134
Total non current	43.281	-8.931	34.350	261	-18	243	339	-51	288

#### 10.1.1.4. Other financial liability

Most significant movements occurred in the three months period ended at March 31<sup>st</sup>, 2017 are the following:

##### Non-current tranche

- 39,101 thousand Euros correspond to the second issuing of bonds made on March 9<sup>th</sup>, 2017 by affiliate MÁSMOVIL Broadband, S.A.U. As established in the issuing document dated March 16<sup>th</sup>, 2017, MÁSMOVIL Broadband proceeded to the placement of the second bond emission for a maximum face value of 38,000 thousand Euros and therefore will issue a maximum of 380 bonds, which Incorporation Informational Document will be recorded at MARF official records. Second issuing bonds have the same features as first issuing bonds of July 21<sup>st</sup>, 2016: an annual coupon of 5.75%; maturity on July 27<sup>th</sup>, 2024 with amortizations by thirds in the last three years. Interest generated in the three months period ended on March 31<sup>st</sup>, 2017 amount to 92 thousand Euros and are pending to be paid. Accrued interest amounts to 1,389 thousand Euros. Aforementioned bonds issuing expenses amounted to 380 thousand Euros and were considered as part of bonds' amortized cost. This Bond has an average life at March 31<sup>st</sup>, 2017 of 6.5 years. The signed agreement prevents from paying dividends of MÁSMOVIL Broadband, S.A.U. to its matrix MÁSMOVIL IBERCOM, S.A as far as the Issuer's Net financial indebtedness / EBITDA ratio, i.e. MÁSMOVIL Broadband, S.A.U., is bigger than 3.00x and never before 2019.
- Deferred payments by business combination of a three months period ended at March 31<sup>st</sup>, 2017 by amount of 14,445 thousand Euros.

##### Current tranche

- Regarding the *Note* issued by the Group in the acquisition of Yoigo, in February 2017, the Group reached an agreement with one of Yoigo's former shareholders, cancelling the debt via payment in cash of 29,138 thousand Euros (including interest for 577 thousand Euros), what meant an approximate expenditure of 72 thousand Euros in results in 2017.

The changes to the financial liabilities and derivatives related to the minority shareholders Note on March 31, 2017 are the following:

Movimiento del pasivo financiero (En Miles de euros)	31/12/2016	Gastos Financieros Devengados	FCC	Variación de valor razonable	31/12/2017
Otros pasivos financieros c/p (principal)	71.541	0	-12.040	0	59.501
Otros pasivos financieros c/p (intereses)	2.387	2.229	-577	0	4.039
	<b>73.928</b>	<b>2.229</b>	<b>-12.617</b>	<b>0</b>	<b>63.540</b>
Instrumentos financieros derivados l/p	26.629	0	-4.465	34.049	56.213
Instrumentos financieros derivados c/p	72.741	0	-12.242	0	60.499
	<b>99.370</b>	<b>0</b>	<b>-16.707</b>	<b>34.049</b>	<b>116.712</b>
	<b>173.298</b>	<b>2.229</b>	<b>-29.324</b>	<b>34.049</b>	<b>180.252</b>

- **MÁSMOVIL 2016 promissory notes program:** On March 23<sup>rd</sup>, 2017 the Group renewed promissory notes for 15,000 thousand Euros with maturity on March 22<sup>nd</sup>, 2018 and 5,000 thousand Euros with maturity on September 26<sup>th</sup>, 2017. Average cost of this promissory notes program varies between 0.8% and 1.6% and it has an average life from 6 to 12 months. Issuing expenses of the aforementioned promissory notes amounted to 274 thousand Euros and are considered as part of its amortization costs.
- Accounts payable to fix assets suppliers on the deployment of the telecommunications network for 21,174 thousand Euros (27,643 thousand Euros at December 31<sup>st</sup>, 2016).

Balance in "Other financial liabilities" at December 31<sup>st</sup>, 2016 basically includes the following concepts:

#### Non-current tranche

- 101,695 thousand Euros correspond to debt of Convertible bonds with linked parts (Providence) for a face amount of 98,747 thousand Euros, plus 2,948 thousand Euros of financial expenses accrued in 2016. This debt has an average cost of 6.50% and average life at March 31<sup>st</sup>, 2017 of 7.5 years.
- 29,829 thousand Euros correspond to bonds issued in 2016 by affiliate MÁSMOVIL Broadband, S.A.U. As established in the issuing document dated July 21<sup>st</sup>, 2016, MÁSMOVIL Broadband under the agreements adopted by its single administrator on May 31<sup>st</sup>, 2016, resolved to carry out bond issuing with an eight (8) years maturity (five (5) years grace period of principal and amortization by thirds in the last three (3) years) for a total maximum face value of 30,000 thousand Euros issuing up to 300 bonds, which Incorporation Informative Document would be recorded at MARF official records. Bonds have an annual coupon of 5.75%. Interest generated until December 31<sup>st</sup>, 2016 amounted to 841 thousand Euros. Issuing cost of the aforementioned bonds amounted to 1,012 thousand Euros and was considered as part of its amortized cost.
- The signed agreement prevents payment of dividends from MÁSMOVIL Broadband, S.A.U. to its matrix MÁSMOVIL IBERCOM, S.A. as far as the Issuer's Net financial indebtedness / EBITDA ratio, i.e. MÁSMOVIL Broadband, S.A.U., is bigger than 3.00x and never before 2019.
- 27,363 thousand Euros correspond to bonds issued in en 2015 by the parent Company. As established payment agent agreement dated June 24<sup>th</sup>, 2015, the parent Company under the agreements adopted by its Board of directors on May 13<sup>th</sup>, 2015, decided to carry out bonds issuing with a five (5) years maturity for a total maximum face value of 27,000

thousand Euros issuing a maximum of 270 bonds, which Incorporation Informative Document will be recorded at MARF official records. Bonds have an annual coupon of 5.5% % and average life at December 31<sup>st</sup>, 2016 of 3.5 years. Interests accrued until December 31<sup>st</sup>, 2016 amount to 1,485 thousand Euros, of which 742.5 thousand Euros are still to be paid (742.5 thousand Euros accrued and pending payment by December 31<sup>st</sup>, 2015). Issuing expenses of the aforementioned bonds amounted to 543 thousand Euros and were considered as part of its amortization costs.

The signed contract forbids payment of dividends whenever the Issuer's Consolidated Senior net debt / EBITDA ratio, i.e. MÁSMOVIL IBERCOM, S.A., is higher than 2.75x Said distribution cannot be prior to one of the following dates: (i) expiration of current guarantee in favour of ACS Telefonía Móvil, S.L. in relation to *Note* (October 5<sup>th</sup>, 2018), (ii) execution of all guarantees of (i), or (iii) date in which ACS Telefonía Móvil, S.L. capitalizes *Note*'s debt.

"Xfera's minority shareholders guarantees" mentioned by the *covenant* of the Bond of 27,000 thousand Euros issued by the parent company refers to guarantees issued in favour of Xfera's minorities Notes holders. Right now only guarantees issued in favour of ACS Telefonía Móvil, S.L. are in force, and they expired by October 5<sup>th</sup>, 2018. In turn, this same company, ACS Telefonía Móvil, S.L., is the sole minority shareholder from Xfera currently holding the debt before MÁSMOVIL (*Note* of 120 million Euros).

- 20,936 thousand Euros corresponding to the value updated of the amount to pay to Jazz Telecom S.A.U. as a consequence of the agreement signed for indirect use transfer rights on Telefónica de España, S.A. copper network by Jazz Telecom, S.A.U. to affiliate MÁSMOVIL Broadband, S.A. (contract of 29,000 thousand Euros for 8 years). The total amount of debt is considered as non-current for 20,936 thousand Euros and current for 2,420 thousand Euros at December 31<sup>st</sup>, 2016.
- Postponed payments by business combination the years 2014 and 2015 for an amount of 1,442 thousand Euros (3,722 thousand Euros at December 31<sup>st</sup>, 2015).

#### Current tranche

- 71,541 thousand Euros (value updated at December 31<sup>st</sup>, 2016) corresponding on the one side to the *Note* issued by the Group in the acquisition of Yoigo. This *Note*, with an average fix cost of 2.0% and an average variable cost of 3.0% and an average life at December 31<sup>st</sup>, 2016 of 9.6 years, has become a hybrid instrument as far as it can be decomposed in a liability with amortized cost and a derived instrument included early cancellation right, conversion rights and *earn-out*. As derived instruments cannot be separated, as all of them are connected, they were valued and recorded as a single instrument considered as a liability at reasonable value with changes in results. The financial liability at amortized cost was value on the agreement date in 82 million Euros, and by difference in the derived instrument it was value in 113.8 million Euros. Effective interest rate accrued by the liability at cost amortized is 14%, coherent with other subordinated debt issued by the Group and similar market operations. In October 2016 there was a new agreement with one of former Yoigo shareholders (Siema Investment, S.L.) cancelling the debt through the payment in cash of 20,626 thousand Euros, which meant a positive result of 4,457 thousand Euros. Additionally, a financial expense was recorded for 2,387 thousand Euros for the accrual of debt at amortized cost. Without prejudice of the former, on this informational Prospectus was issued the maximum amount to pay in cash by the Group was 200 million Euros, as compared with the initial 275,500 thousand Euros including the complete *earn-out* tranche, additional to payment made to one of the minority shareholders in 2017 (Fomento de Construcciones y Contratas, S.A.), payment that minored the initial amount of 275,500 thousand Euros (including full *earn-out* tranche) to the current 200 million Euros. This *Note* is accounted as current as in spite of its maturity extending until 2029 the holder may

request early anticipation which is assured by bank collateral for the first two years, i.e. until June 2018.

- MÁSMOVIL 2016 promissory notes program: At December 31<sup>st</sup>, 2016 the balance of other financial liabilities corresponded mainly to MÁSMOVIL 2016 promissory notes program for 29,807 thousand Euros (initial balance minus issuing expense plus interest generated until December 31<sup>st</sup>, 2016). As established in the informational base documents of promissory notes to MARF dated September 30<sup>th</sup>, 2016, the Company issued promissory notes for a maximum amount of 30,000 thousand Euros. Maximum number of life promissory notes in a given moment cannot exceed 300 of face value of 100 thousand Euros each one. The Promissory Notes Program will be in force for one (1) year. Nominal interest is set in each allotment. Life amount circulating at December 31<sup>st</sup>, 2016 amounts to 30,000 thousand Euros issuing at average rate in the year 2016 of 1.67%. Interest generated until December 31<sup>st</sup>, 2016 amount to 94 thousand Euros. Issuing expenses of the aforementioned promissory notes amounted to 46 thousand Euros and are considered as part of the amortization cost.
- Additionally, the heading other financial liabilities includes accounts payable to suppliers of fixed assets for the deployment of a telecommunications network for 27,643 thousand Euros.
- Current tranche includes postponed payments for business combinations in the years 2014-2015 for 2,212 thousand Euros (2,724 million Euros at December 31<sup>st</sup>, 2015).
- At December 31<sup>st</sup>, 2015 current tranche included 89,000 thousand Euros, plus VAT (18.7 million Euros), corresponding to the amount to pay on the short term to Jazz Telecom S.A.U. for the optic fibre network component purchase agreement to Jazz Telecom S.A.U. The amount was paid in January 2016.

#### *10.1.1.5. Derived financial instruments*

At December 31<sup>st</sup>, 2016, it mainly includes the amount of 99,370 thousand Euros of *Note* issued by the Group explained in the previous section (116,712 thousand Euros at March 31<sup>st</sup>, 2017). As current included an amount of 72,741 thousand Euros (60,499 thousand Euros at March 31<sup>st</sup>, 2017), that together with the amount recorded in other liabilities corresponds to cash creditors may demand in 2017 were they to execute the early cancellation option.

On March 31, 2017 significant modifications have taken place regarding the market conditions related to the assessment of said financial instruments (interest rate, pricing, risk rate, etc), meaning that in order to estimate its fair value it is more adequate to use the share pricing on the date of closing instead of the average of the last 90 sessions, as it was done on December 31, 2016. In this regard it is necessary to point out that the share pricing on December 26, 2016 amounted to 26.6 Euros while the average of the last 90 sessions that was used in the estimate of the fair value of the instrument amounted to 25.37 Euros and on March 31, 2017 the value of the share amounts to 38 Euros.

According to the new calculations, the fair value of the financial instrument and the amortized cost liability on March 31, 2017 amounts to 189 962 and 73 250 thousand of Euros respectively. Therefore the derivatives fair value amounts to the difference, this means 116 712 thousand of Euros, which meant the recording of an expense of 34 049 thousand of Euros in the appended profit and loss account on March 31, 2017. On the preparation date of these financial statements (July 10, 2017), the share pricing amounts to 56.50 and even though Directors have not estimated the fair value of the financial instrument on said date, the approximated impact that the fair value of the derivative could have over the profit and loss account would be of at least 64 million Euros, without these changes in value representing any cash outflow.

#### 10.1.1.6. Mortgage guarantees and other guarantees

Loans with mortgage guarantees, as well as its balance at December 31<sup>st</sup>, 2016, 2015 and 2014 are the following:

Mortgage loans (In thousand euros)	Guarantee	31/03/2017	31/12/2016	31/12/2015	31/12/2014
Kutxabank, S.A.	Mortgage	5	12	39	67
Kutxabank, S.A.	Mortgage	5	8	18	29
Banco Popular Español, S.A.	Mortgage	196	203	243	281
Cajas Rurales Unidas Sociedad Cooperat	Mortgage	177	183	223	255
Banco de Sabadell, S.A.	Mortgage	161	169	199	229
Banco Popular Español, S.A.	Mortgage	0	0	0	3
<b>Mortgage loans</b>		<b>544</b>	<b>575</b>	<b>722</b>	<b>864</b>

THE BONDS ISSUED WITH A POSITIVE BALANCE AT 31-12-16 AMOUNT TO 29.829K€ AND THEY HAVE COLLATERAL

See also section 10.1.2.1 for better detail on associated guarantees with bonds issued in the previous years.

Equality on December 31<sup>st</sup>, 2016 the Group has constituted guarantees associated to the fulfilment of obligations derived from license concession, legal resources or administrators' contracts with the following detail:

- Guarantees for concession of license B2 for 60 million Euros: administrative contracts of B2 license concession to provide third generation mobile phone services (UMTS) by the affiliate Yoigo, with the investment, deployment, technical, commercial, job creation, support to industry and business plan commitments which fulfilment is guarantee by collaterals counter guaranteed by the group. The amount corresponding to pending guarantees of releasing future commitments associated to 2100 Mhz. Dated April 20<sup>th</sup>, 2017, was release collateral for 20 million Euros, being therefore in an amount of 40 million Euros.
- Additionally, Yoigo has collaterals as guarantee of several commitments for an amount of 33 million Euros, being the most relevant the ones corresponding to commercial leases, guarantees derived from commercial agreements and to different resources presented by liquidations of local corporations or their public entities.

Yoigo offers financing to its customers with own resources and with agreements with several financial institutions to by phone terminals when these are acquired with the subscription of telecommunication services. In case of financing through financial institution, Yoigo provides a guarantee to its clients in case of lack of payment of loan instalments. This is the reason why it records a provision for commercial operations. Total amount financed through financial institutions at December 31<sup>st</sup>, 2016 amounted to 168 million Euros.

Group administrators consider there is neither risk related to matters covered by collaterals presented nor regarding possible court claims.

#### 10.1.1.7. Maturity and average interest rate

See section 10.1.2.1 of this Prospectus Registration document.

## 10.2. Explanation on Issuer's sources, amounts and narrative description of cash flows

Below there is a table of Issuer's cash flows corresponding to years ended March 31<sup>st</sup>, 2017, December 31<sup>st</sup>, 2016, 2015 and 2014 and an explanation of the main changes.

Cash Flow Statement (In thousand euros)	31/03/2017	31/12/2016	31/12/2015	31/12/2014	Var. 15-16 %	ar. 14-15 %
Income from continuing operations	-41,774	-58.051	-1.507	122	3752,09%	#####
Adjustments for:						
Amortisations	28,428	41.204	10.382	3.905	296,88%	165,86%
Trade debtors' value impairment losses	6,818	5.081	1.946	922	161,10%	111,06%
Currency translation differences	0	-71	36	29	-297,22%	24,14%
Changes in provisions	-633	353	79	1.504	346,84%	-94,75%
Allocation of official grants	-32	-584	-239	-77	144,35%	210,39%
Results from asset disposals	0	2.533	239	212	959,83%	12,74%
Financial Income	-306	-4.781	-36	-447	13180,56%	-91,95%
Financial Expenses	49,854	25.350	2.263	718	1020,19%	215,18%
Others results	-553	0	0	16	-	-100,00%
Income Tax	4,290	-2.994	-509	-809	488,21%	-37,08%
Variations in working capital						
Stock	793	-1.051	-27	641	3792,59%	-104,21%
Trade Debtors and other accounts receivable	4,316	-47.908	-397	-8.132	11967,51%	-95,12%
Other assets	-478	10.480	-482	-267	-2274,27%	80,52%
Trade creditors and other accounts payable	-12,575	58.595	3.122	-873	1776,84%	-457,62%
Other liabilities	-10,101	-1.139	-1.022	734	11,45%	-239,24%
<b>Cash from operating activities</b>	<b>28,047</b>	<b>27.017</b>	<b>13.848</b>	<b>-1.802</b>	<b>95,10%</b>	<b>-868,48%</b>
Interest payments	-2,541	-17.304	-2.257	-690	666,68%	227,10%
Interest received	306	326	36	447	805,56%	-91,95%
Income Tax Income / (Expenses)	444				-	-
<b>Net cash provided from operating activities</b>	<b>26,256</b>	<b>10.039</b>	<b>11.627</b>	<b>-2.045</b>	<b>-13,66%</b>	<b>-668,56%</b>
<b>Cash flows from investment activities</b>						
Cash receipts from the sale of tangible assets	7,869					
Payments for the acquisition of tangible assets	-17,005	-62.286	-4.078	-975	1427,37%	318,26%
Payments for the acquisition of intangible assets	-10,403	-27.055	-7.792	-3.752	247,22%	107,68%
Acquisition of dependent entities, net of cash and equivalents	-24,891	-539.646	-8.354	-10.980	6359,73%	-23,92%
Payments for the acquisition of financial assets	573	-1.870	-1.969	1.422	-5,03%	-238,47%
<b>Net cash used in investment activities</b>	<b>-43,857</b>	<b>-630.857</b>	<b>-22.193</b>	<b>-14.285</b>	<b>2742,59%</b>	<b>55,36%</b>
<b>Cash flows from financing activities</b>						
Cash receipts from the issue of capital	0	158.055	0	25.000	-	-100,00%
Cash receipts from obligations and other negotiable securities	38,094	119.595	27.199	0	339,70%	-
Cash receipts from debts with credit institutions	0	466.052	6.289	153	7310,59%	#####
Cash receipts from financial liabilities	3,916	42.694	3.721	290	1047,38%	#####
Cash receipts from redemption of treasury shares and other Equity instruments	221	0	0	0	-	-
Payments from redemption of treasury shares and other Equity instruments	0	66.858	85	-1.256	78556,47%	-106,77%
Payments from debts with credit institutions	-8,338	-1.953	0	-1.302	-	-100,00%
Payments from other financial liabilities	-34,211	-24.902	-5.032	-2.504	394,87%	100,96%
<b>Net cash from financing activities</b>	<b>-319</b>	<b>826.399</b>	<b>32.262</b>	<b>20.381</b>	<b>2461,52%</b>	<b>58,29%</b>
<b>Net increase / decrease from cash or equivalents</b>	<b>-17,920</b>	<b>205.581</b>	<b>21.696</b>	<b>4.051</b>	<b>847,55%</b>	<b>435,57%</b>
<b>Cash or equivalents at 1 January</b>	<b>236.079</b>	<b>30.498</b>	<b>8.802</b>	<b>4.751</b>	<b>246,49%</b>	<b>85,27%</b>
<b>Cash or equivalent at the end of financial year</b>	<b>218,159</b>	<b>236.079</b>	<b>30.498</b>	<b>8.802</b>	<b>674,08%</b>	<b>246,49%</b>

MÁSMOVIL inorganic growth after successive acquisition was accompanied with an increase in financing. In 2016, as was previously mentioned under section 9.2.1 of this Registration document, there were the acquisitions of Yoigo and Pepephone, as well as massive issuing of Group's converging offer for residential clients.

Yoigo and Pepephone acquisitions meant a significant change in the Group's financial structure that was a possible mainly due to issuing capital, bonds and other negotiable securities and

raising of financial indebtedness. All of the above made possible the integration of both companies in the framework of a new financial structure more aligned with a bigger Group entrepreneurial reality.

Below there is a calculation of the working capital:

Working Capital Calculation (In thousand euros)	31/03/2017	31/12/2016	31/12/2015	31/12/2014
<b>CURRENT ASSETS</b>	<b>408.670</b>	<b>437.337</b>	<b>156.661</b>	<b>41.696</b>
Non current assets held for sale	401	401	401	400
Stock	400	1.193	142	128
Trade debtors and other accounts receivable	176.660	187.794	120.233	29.094
Current tax assets	3.421	3.829	611	293
Other investments	5.770	5.543	4.027	2.712
Short-term accrual accounts	3.859	2.498	749	267
Cash and other equivalent liquid assets	218.159	236.079	30.498	8.802
<b>CURRENT LIABILITIES</b>	<b>645.117</b>	<b>675.605</b>	<b>166.164</b>	<b>44.631</b>
Debts with credit institutions	32.373	35.939	10.797	4.040
Financial derivative instruments	60.499	72.741	0	0
Other debts	880	939	1.244	743
Debts under finance lease	6.747	6.782	102	134
Other financial liabilities	119.955	136.159	111.521	3.324
Trade creditors and other accounts payable	371.204	383.803	41.738	34.503
Current tax liabilities	3.492	0	0	513
Provisions	49.967	39.242	762	1.374
<b>Working Capital</b>	<b>-236.447</b>	<b>-238.268</b>	<b>-9.503</b>	<b>-2.935</b>

The group at March 31<sup>st</sup>, 2017 and December 31<sup>st</sup>, 2016 has negative working capital of 236,447 thousand Euros and 238,268 thousand Euros respectively. With company's operations during the period and considering the specificities regarding the Group's business working capital it is not foresee that in 2017 treasury needs will overcome current financial capabilities.

In this sense the Group has as main line of activity telecommunications service providing to residential areas, business that has a short collection period, which associated to payment to suppliers of about forty (40) days, allows to optimize the use of Group's resources operating with negative working capital.

Average Group's collection period for the first half of 2017 was 42 days, calculated from the sales figures from the first quarter of 2017 and customers' balances in balance sheets at March 31<sup>st</sup>, 2017 and December 31<sup>st</sup>, 2016. After the acquisition of Pepemobile and Yoigo at the end of the previous year there is no comparable historic information. Said average collection period is aligned with market similar operator's collection periods. As an example in 2016 Xfera's average collection period, an operator with over 10 years in the market was lower to 40 days, and it is basically focused in the residential segment.

Summarizing, the difference between accounts receivable and accounts payable at December 31<sup>st</sup>, 2016 is a total of 196,009 thousand Euros. According to the Group's administrators point of view it is not considered to have circumstances negatively impacting the Group's working capital situation in 2017.

### **10.3. Information on loan conditions and Issuer's financial structure**

See section 10.1 above of this Prospectus Registration document.

**10.4. Information regarding any restriction on capital resources use that directly or indirectly has affected or could affect the Issuer's operations in an important manner**

There is no restriction on the use of MÁSMOVIL Group capital resources other than the usual commitments acquired in the financing agreements subscribed by MÁSMOVIL Group. Likewise, none of these commitment affects or may affect directly or indirectly MÁSMOVIL Groups operations.

Regarding the different financial instruments, the Group must fulfil a number of commitments.

- Syndicated loan and junior debt contracts have debt ratios (*Senior* Consolidated net debt / EBITDA and Total Consolidated Net Debt / EBITDA), with levels of coverage of EBITDA over net financial expenses as well as an annual maximum CAPEX amount.
- In case of MÁSMOVIL Ibercom and MÁSMOVIL Broadband bonds, there are specific dividend payment restrictions according to the Net Financial indebtedness/ EBITDA ratio already mentioned in the aforementioned section II of this Informative Prospectus regarding Risks Factors and section 10.1.2.4. There are also restrictions for additional debt in the contract of MÁSMOVIL Broadband bond. Thus, it is only allowed additional debt in MÁSMOVIL Broadband (70,000 thousand Euros) from 2019 therefore making the Net financial indebtedness /EBITDA ratio lower to 3.5x.
- In *Notes* of former Xfera shareholders, the amount corresponding to the Net Financial indebtedness over EBITDA determines certain Group's obligations.

In any case, currently amounts reflected in the Group's financial statements determine ratios valuations indicating the fulfilment of described ratios.

**10.5. Information related to sources foresee in the necessary funds to fulfil commitments mentioned under 5.2.3 and 8.1**

As it was mentioned under sections 5.2.2 and 5.2.3 of this Informative Prospectus Registration document, undergoing investment and firm acquisitions commitment for the period 2017-2018 would amount to an approximately total of 94 million Euros. At March 31<sup>st</sup>, 2017, the Company has incurred in about 17 million Euros related to said investments. Financing used and that will be used to face the considered investments will be base in activity cash generation and the Group's current treasury. Furthermore the Company has recently issued a second round of bonds for 38 million Euros in March 2017 to be use for this.

## **11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES**

### **11.1 Research and Development**

The Company incurs and activates *software* production costs on a yearly basis (provided that these are in compliance with the pre-requisites established by accounting procedures), which pertain to its telephony business, from which it expects to earn income in the future. The amounts activated reached 3 178 thousand Euros, 2 258 thousand Euros and 2 049 thousand Euros in 2016, 2015 and 2014 respectively. There are no other notable assets allocated to research and investigation, other than those highlighted assets intended for research and development which have not been activated as part of non-tangible assets.

### **11.2 Trademarks and domain names**

Companies within the MÁSMOVIL Group are holders of a variety of trademarks, which are both denominative and mixed, and have been registered under different classifications at the national or community level. These are listed as follows: “Ibercom”, “Más”, “MÁSMOVIL”, “MÁSMOVIL Ibercom”, “Happy Móvil”, “Cablemóvil”, “Yoigo”, “Xfera”, “Pepephone”, “Pepemovil”, “Pepemobile”, “Pepetelekom”, “Pepebank”, “Pepepay”. The Group’s companies are also holders of certain domain names which include some of the afore-cited trademarks.

MÁSMOVIL holds a variety of registered trademarks. The most important among these are listed below, along with their terms of expiration:

Name	Expiration date
Yoigo	18/09/2026
Xfera	21/12/2019
Ibercom	02/10/2023
Más	08/06/2017
MASMOVIL	28/09/2021
MASMOVIL Ibercom	15/04/2024
Happy Móvil	16/11/2026
Cablemóvil	21/06/2017
Pepephone	12/04/2027
Pepemovil	05/01/2026
Pepemobile	05/10/2026
Pepetelekom	16/01/2027
Pepebank	24/02/2026
Pepepay	24/02/2026

[Top row reads “Name/Expiry”]

As concerns licences pertaining the Company’s groups, the following should be noted:

#### Xfera Móviles S.A.U.

By Ministerial Order dated 10 March 2000, the Company was named awardee in a tender for a B2-type licence to provide third-generation mobile services (UMTS), for a period of twenty (20) years with the possibility of extending this timeframe, once only, for a period of ten (10) further years, which would entail the concession of the radio-electrical public domain required at 2.100

MHz bandwidth, specifically 15 MHz paired and an additional 5 MHz which would be non-paired.

On 9 June 2011, the Company was named awardee of three new concessions on the 1.800 MHz bandwidth for the provision of mobile telephony services. In total, these three concessions allow for use of 14,8 paired MHz under the principle of technological neutrality, i.e. enabling the provision of a service using any current/future technology. The timeframe for these concessions runs from 9 August 2011 to 31 December 2030, inclusive.

Similarly, the entity appears as registered in the CNMC Registry as the approved entity for the provision of a mobile telephony service, as well as for the operation of a mobile telephony network.

Finally, for purposes of providing the current convergent offer, the company has been approved for retail of the landline telephony service as well as for data transmission and internet Access services.

MÁSMOVIL Ibercom S.A., Embou Nuevas Tecnologías S.L., Xtra Telecom S.A.U. and MÁSMOVIL Broadband S.L.U.

All these entities have been approved as providers of a landline telephony service as well as for the operation of a public landline telephony network. MÁSMOVIL Telecom 3.0, S.A.U. appears as registered in the CNMC registry as the entity approved to provide a retail service for the landline telephony service both through indirect and direct access. All the aforementioned entities are also approved to provide data transmission services, and also appear as registered Internet Access providers.

Embou Nuevas Tecnologías, S.L. is the approved operator of a network using the radio-electric public domain for common usage as well as for the deployment of a Fibre Optics network within the Autonomous Community of Aragon.

MÁSMOVIL Broadband S.L.U. is also approved for the establishment and operation of a fibre optics terrestrial network, as well as for activities entailing signal transmission for audio-visual communication services.

Certain entities within the MÁSMOVIL group are also approved as mobile telephony service providers. Concretely, MÁSMOVIL Ibercom, S.A. appears in the CNMC Registry as a total virtual mobile operator, and MÁSMOVIL Telecom .0. S.A.U. along with Embou Nuevas Tecnologías, S.L. appear as virtual mobile operations service provider, respectively.

Pepemobile, S.L.

This appears as registered in the CNMC registry as an entity which is approved as a virtual mobile service provider and as a service provider for the transmission of data and, concretely, an internet Access provider.

### **11.3 Registries and patents**

Does not apply.

**12. INFORMATION ON TRENDS**

**12.1 Recent most significant trends in production, sales and inventory, as well as costs and sales prices from the end of the last financial year until the date appearing on the registry document**

In section 20.1 of the Registry Document within this Prospectus mention is made of the most recent trends for the first quarter of 2017.

Of note is the formal conclusion of the acquisition, on 31 January 2017, of assets comprising the business unit consisting of the business activity of virtual mobile operator Llamaya Movil, SLU. The sale Price of the assets amounted to 29.7 million Euros (24.9 million Euros in cash and 4.8 million Euros through a deferred payment to be made eighteen months after the transaction is effected) as well as an earn-out price amounting to 12 million Euros according to any modifications in certain operational parameters. More details on the sale are provided in section 5 of the Registry Document.

**12.2 Information on any known tendency, uncertainty, requests, commitments or events which may reasonably be considered to have significant impact on the Issuer's prospects, at least for the current financial year**

The main factors which may come to bear on the Issuer's prospects are those establish in sections 1.1, 1.2, 1.3, 1.4 and 2 of Section II on Risk Factors in this Booklet.

**13. PREDICTED OR ESTIMATED BENEFITS**

**13.1 Declaration enumerating the main bases upon which the Issuer has based its predictions or estimates**

Does not apply.

**13.2 This must include a report drawn up by accountants or independent auditors, declaring that, in the view of these independent accountants or auditors, the predicted or estimated amount has been correctly calculated, according to the base amount, and that the accounting principle used to predict or to estimate the profits is in keeping with the Issuer's accounting policies.**

Does not apply.

**13.3 The predicted or estimated profit amounts must be drawn up according to a base figure which is comparable with historical financial information**

Does not apply.

**13.4 Should the Issuer have published, in its Prospectus, a predicted profit figure for a date which has not yet elapsed, it must then draw up a declaration as to whether this prognosis does indeed remain as accurate as it was at the date appearing on the registry document, or must provide an explanation as to why the prognosis is no longer valid, should this be the case.**

Does not apply.

## **14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES, AND SENIOR MANAGEMENT**

### **14.1 Name, work address and functions, within the Issuing Entity, of the following persons, with mention of the main activities undertaken by the same outside the Issuer's main remit, if said activities should be significant in view of this Issuer.**

#### Members of the administrative, management and supervisory bodies

##### *14.1.1.1 Members of the Board*

MÁSMOVIL's company statutes establish in article 31, as well as in the Regulations of the Board of Directors, the consolidated text of which was approved by the Board of Directors in its meeting of 18 December 2015 and was last amended on 22 May 2017 (“**Regulations of the Board of Directors**”) in article 8 thereof, that the Company shall be administered by a Board to be made up of a minimum of five (5) and a maximum of fifteen (15) board members, the exact number between such limits being determined during the General Shareholders' Meeting.

Below is the list of the board members currently serving as at the date of this Prospectus, along with the capacities of the board members in accordance with the provisions of the Law on Corporations, Company Statutes and Regulations of the Board of Directors:

Name	Position	Type	Represented Shareholder	Professional address
Mr. Eduardo Diez-Hochleitner Rodríguez	Chairman	Independent		Avenida de la Vega, 15, 28108 Alcobendas (Madrid)
Key Wolf, S.L.U.	First Vice-Chairman	Proprietary Director		Parque Empresarial Zuatzu, Edificio Easo, 2ª planta, 20018 San Sebastián (Guipúzcoa)
Mr. Josep María Echarri Torres	Second Vice-Chairman	Proprietary Director	Inveready Capital Company, S.L.	Calle Cavallers, 50, 08034 Barcelona
Mr. Meinrad Spenger	Delegated Manager	Executive		Avenida de la Vega, 15, 28108 Alcobendas (Madrid)
Mrs. Cristina Aldámiz-Echevarría González de Durana	Director	External		Avenida de Pío XII, 102, 28036 Madrid
Mr. Felipe Fernández Atela	Member and Chairman of the Appointment and Remuneration Committee	Independent		Calle Príncipe de Vergara, 132, 1ª Planta, 28002 Madrid
Mr. Borja Fernández Espejel	Member and Chairman of the Audit and Supervisory Committee	Independent		Avenida de la Vega, 15, 28108 Alcobendas (Madrid)
Mr. Ángel Manuel García Altozano	Director	External		Avenida de Pío XII, 102, 28036 Madrid
Mr. Antonio García Ortiz	Director	Proprietary Director	Aldebarán Riesgo S.C.R. de Régimen	Avenida de Burgos, 109, 28050 Madrid
Mr. John C. Hahn	Director	Proprietary Director	PLT VII MAS Sarl and PLT VII Holdco Sarl (Providence)	28 St George St, Mayfair, Londres, W1S 2FA (United Kingdom)
Mr. Robert Sudo	Director	Proprietary Director	PLT VII MAS Sarl and PLT VII Holdco Sarl (Providence)	28 St George St, Mayfair, Londres, W1S 2FA (United Kingdom)
Mrs. Pilar Zulueta de Oya	Director	Independent		Calle María de Molina, 10, 8ª Izqda., 28006 Madrid
Mr. Alberto Castañeda	Secretary	Non Director		Calle Conde de Aranda 20, 2ª Izqda. 28001 Madrid

On the Board of Directors, Mr José Eulalio Poza represents shareholder KEY WOLF, S.L.U. Mr. Josep María Echarri represents Shareholder Inveready, which invests in MÁSMOVIL through a number of companies. Mr. Antonio García Ortiz represents Shareholder CASER and Board Members Mr. John C. Hahn and Mr. Robert Sudo represent shareholder Providence which invests in MÁSMOVIL through the entities PLT VII MAS Sarl and PLT VII Holdco Sarl.

It should be noted that none of the Board members is subject to any cause for prohibition or conflict of interest for the purposes of acting as board member. In particular, no board member is subject to any of the causes establish in article 213 of the Law on Corporations or in any other Government or Autonomous Community Regulation which may be applicable.

Also, indicate that MÁSMOVIL's chairman of the Board, Mr. Eduardo Diez-Hochleitner Rodríguez and the representative First vice-president of the Board of Directors of MÁSMOVIL, Mr. Jose Eulalio Poza Sanz does not hold executive functions within the Company.

The non-Directorship-holding Secretary of the Board is Mr. Alberto Castañeda González, who was appointed by the Board of Directors during its meeting held on 30 June 2014.

None of the Company's Board Members holds a veto right on any of the separate matters to be covered by the Company's Board.

Below is a brief summary of the professional background of the members of the Company's Board of Directors:

Mr. Eduardo Diez-Hochleitner Rodríguez (Independent Board Member)

Holds a Bachelor of Economics and Business Administration degree from Universidad Autónoma de Madrid (1973-1978) and an MBA from the IESE, Barcelona (1980-82).

He began his career at Dresdner Bank in Germany (1978-1980). From 1982 to 1990 he held a number of positions in Banque Nationale de Paris in España and France, latterly as Managing Director of Banexi España. He held the position of Corporate Managing Director of the PRISA Group (1990-2001), and was the Iberia partner for Apax Partners Private Equity firm (2002-2006). He also held a variety of relevant positions within Norwegian media group Schibsted ASA, as CEO (2010-2012) and Vice-President of 20 Minutos (2007-2010 and 2012-2014), as well as Board Member for Infojobs (2010-2011). He currently sits on the Board of a number of companies: Boolino, The Gawa Microfinance Fund, Promotech Digital and was previously a board member of Diario As, Everis, Apax Partners, Radical Technologies, Bodaclick, Másmovil Telecom 3.0, Canalmail, Kreab Gavin Anderson Iberia, B-Side Media and Imm Sound. He has also acted as member of various Advisory Boards: Veronis Suhler Stevenson and La Nevera Roja, among others.

Mr. José Eulalio Poza Sanz (representing the physical entity KEY WOLF, S.L.) (Proprietary Director [Member Owner])

Bachelor Degree in Computer Science from the University of the Basque Country.

He holds seven (7) years' experience as a researcher in the IT Faculty at the University of the Basque Country, three (3) years as a lecturer in the IT Faculty at the University of the Basque Country, has served ten (10) years as Technical Director of MÁSMOVIL.

Mr. Josep María Echarri Torres (Proprietary Director [Member Owner])

Holds Bachelor degrees in Economics and in Actuarial Sciences and Finance, both from Universitat de Barcelona, as well as a Masters in Financial Management from ESADE.

He was Financial Director of Oryzon from 2003 to 2007, having previously led the first integral programme for the creation of technology ventures built by a Spanish administrative entity. He is currently a Delegate Board Member of Inveready Asset Management, S.G.E.C.R., S.A. and is Chairman of Inveready Finance Group, and, having been a founding member of these companies, is currently their principal shareholder. He participates as a Board Member for over 30 technology companies, including Oryzon Genomics, S.A, Agile Contents, S.L., Interiorvista, S.L., Palo Biofarma, S.L. and Grupo Natac, S.L. Through his positions held at Inveready, he has participated actively in tens of corporate transactions, notable examples of which include the sale PasswordBank Technologies, S.L. to North American group Symantec, as well as the sale of Indisys, S.L. to another North American Group: Intel. He also contributes actively to the definition and implementation of the de MÁSMOVIL Group's M&A strategy.

Mr. Meinrad Spenger (Executive Board Member)

Holds a Bachelor Degree in Law (from Graz, Austria and Trieste, Italia). He holds an MBA from the Instituto de Empresa (I.E.) and from Italian Business School SDA Bocconi (Milan).

He worked for five (5) years as a consultant at McKinsey & Company, where he held the position of Engagement Manager and gained extensive experience internationally in countries

such as Austria, Germany, Italy and Spain, as well as across a range of sectors, including telecommunications. He is the co-founder of MÁSMOVIL Telecom 3.0, S.A. where he held the position of Delegate Member until the former's incorporation within MÁSMOVIL.

Ms. Cristina Aldámiz-Echevarría González de Durana (External Board Member)

Holds a Bachelor Degree in Economics and Business Administration from Universidad de Deusto, and has extensive experience in matters relating to finance, business and team management, as well as in mergers and acquisitions.

She is Finance and Corporate Development Director for Finances ACS- Actividades de Construcción y Servicios, S.A. She also currently acts as advisor to Saeta Yield, S.A., a listed company which manages renewable assets, as well as Bow Power, S.L., which promotes and develops renewable energy.

Prior to joining ACS, she worked on the telecommunications team for Bank of America, Merrill Lynch in London. She has also served as advisor for TBI Limited, an international airport services company, as well as Clece, a services company which is a subsidiary of the ACS Group.

Mr. Felipe Fernández Atela (Independent Board Member)

Holds a degree in Economics and Business Administration from the Universidad Complutense in Madrid as well as Master MBA from INSEAD in Fontainebleau, as well as having completed post-graduate courses at a variety of Business Schools (London, Harvard and Stanford).

He served as Chairman for EDS Iberia as well as for Deutsche Telekom España, and was also VP of Operations for Iberia/Latam at Convergys. He currently holds the position of Chairman at Experian España and at Buongiorno España, and is also a board member of 3 Angle Capital.

Mr. Borja Fernández Espejel (Independent Board Member)

Holds a Bachelor degree in Business Administration from Universidad Autónoma de Madrid and from Frankfurt School of Finance & Management. He also completed the Senior Executive Management Programme at INSEAD along with other courses at IE Business School, where he has taught as Associate Professor of Forensic Analysis of Financial Statements on the Masters in Management since 2013.

Until February 2017 he was Director of Finance and Strategy at Metrovacesa, and was also a member of the Directors' Committee and an assistant to the Auditors' Committees and Board of Directors. Since 2013 he has led the various stages of restructuring y refinancing (with an aggregate value of 4.3 billion Euros), as well as the recent recapitalisation (1.65 billion Euros), which enabled a 3.3 billion Euro debt reduction and the awarding of "Investment Grade" by S&P and Moody's. He also took part in the sale of Gecina (1.55 billion Euros) and in the merger with Merlin (2.2 billion Euros).

Previously he acted as Managing Director of Caser Capital Riesgo (Grupo Caser), where he ran several investment transactions. He was an advisor to stakeholder companies and was a member of Caser Group's Investment Committee (13 billion Euros under management). Prior to this he held director positions at N+1 (currently ALANTRA), Ahorro Corporación, PwC and Dragados.

All in all, he benefits from more than twenty (20) years' experience in Private Equity, Structured Finance, Corporate Finance and Debt & Equity Capital Markets, having been involved in more than 20 transactions involving an amount higher than 5.7 billion Euros. He has sat on a variety of boards and auditor committees since 2004.

Mr. Ángel Manuel García Altozano (External Counsellor)

An Engineer in Roadways, Canals who qualified from the Escuela Técnica Superior de Ingenieros de Caminos in Madrid, he also earned an MBA from the University of Dayton, Ohio and has extensive experience in financial and business matters, particularly in construction, telecommunications and renewable energies.

He is Commercial Managing Director of ACS Actividades de Construcción y Servicios, S.A., and holds responsibility for, inter alia, financial and corporate development aspects and for the Group's stakeholder Companies. He is also a Board Member for Hochtief and for a number of companies within Grupo ACS, such as Dragados, S.A., ACS Servicios, Comunicaciones y Energía, S.L. and ACS Servicios y Concesiones, S.L.

Prior to joining ACS, he was Managing Director for the National Industrial Institute, and also held managerial positions, inter alia, at Grupo Endesa in the Electricity sector, and at Iberia, in the air transport sector, as well as at Grupo INISEL (currently INDRA). He was also Chairman of Bankers Trust for Spain and Portugal and a Member of the Council of Europe, in which he participated in a number of financial advisory operations.

Mr. Antonio García Ortiz (Proprietary [Dominical] Board Member)

Holds a Bachelor Degree in Economics and Business Administration from Universidad Complutense in Madrid.

He has five (5) years of experience in auditing (Espacontrol-Deloitte, he served as Financial Director at Grupo Inmobiliario Delta and was Administrative director at Swiss RE. Since 2002, he has served as Finance and Technology Director at Caser, and has sat on the board of a number of companies within the Group. He is also Chairman of Aldebarán S.C.R.

Mr. John C. Hahn (Proprietary [Dominical] Board Member)

Holds a Bachelor Degree in Business Administration from the Universidad de Notre-Dame, earned his Master's in Business Administration from the Anderson School, Universidad of California at Los Angeles.

He is Senior Executive Board Member at Providence Equity Partners, at its London headquarters. He directs the company's private equity investments at an international level. Additionally, he is an advisor to Chime Communications, Volia (Ukraine) and UMI (India). Previously he served as a board member at Digiturk (Turkey), Eircom (Ireland), Casema (The Netherlands), Kabel Deutschland (Germany), Recoletos (Spain), Ono (Spain) y Com Hem (Sweden).

Before joining Providence in 2000, he served as Executive Board Member at Morgan Stanley. Prior to this, he worked at PwC and at the Federal Data Corporation.

Mr. Robert Sudo (Proprietary [Dominical] Board Member)

Earned his Diploma in Business Administration from HHL Leipzig Graduate School of Management.

He serves as executive Board Member for Providence Equity Partners, at its corporate headquarters in London. He is also currently a board member of Ambassador Theatre Group, Bité, Clarion Events, Hse24 and Volia Limited. Before joining Providence in 2004, he worked as a financial and mergers and acquisitions analyst for Goldman Sachs.

Ms. Pilar Zulueta de Oya (Independent Board Member)

Holds a Bachelor Degree in Biochemistry and Molecular Biology from Universidad Autónoma de Madrid, a science major from Harvard University, an MBA from Instituto de Empresa and an MBA in Digital Transformation at The Valley Digital Business School. She has broad international experience in media, consumer products, retail and innovation.

She currently serves as an independent Board Member for Everis,-Grupo NTT, where she is part of the Auditing Committee and the Pay and Appointments Committee. She is also a Proprietary Board Member and investor at Cervezas Brabante and is a member of the International Advisory Board for the Instituto de Empresa (IE). She currently works with a number of foundations concerned with improving the education of girls in Nepal.

In 1997, she joined Warner Bros Consumer Products, where she held the following positions: Managing Director for Spain and Portugal (1997-1999), Managing Director for Southern Europe (1999- 2001) and Managing Director for EMEA (2001-2015) working out of the London office. Between 1992 and 1995 she was sales and Marketing Director at RJ Reynolds and Managing Director at WBI – RJR Nabisco Group (1992-1995). She has served as a member of the Advisory Board for female leadership at the American Chamber of Commerce (Cámara de Comercio Americana-AMCHAM) and of Professional Women Network Spain.

Mr. Alberto Castañeda (Non-director Secretary)

Holds a Bachelor Degree in Law from Universidad Complutense in Madrid, Columbia University (NY), LL.M. from Hannover University (Germany) and completed the Higher Programme in Telecommunications Law (Instituto de Empresa).

He is an attorney and an associate of Castañeda Abogados, a law firm established in 2002. He serves as Board Secretary for numerous companies belonging to national and international groups. He previously served as Secretary of the MÁSMOVIL Telecom 3.0. Board, from 2007 onwards.

*14.1.1.2. Members of the managerial or supervisory bodies*

The Company's Board incorporates an Audit and Control Committee and a Pay and Appointments Committee, the description of which, along with its members and their capacities, are lists in sections 16.3.1 and 16.3.2 of the Registration Documents within this Prospectus.

Limited Partners, if the entity is a company limited by shares

Not applicable as the entity is a limited liability company.

Founders, should the Issuer have been constituted less than five years ago

Does not apply, as the Company was constituted more than five (5) years ago.

Any other managerial entity relevant in establishing that the Issuer holds the qualifications and experience necessary to manage the Issuer's activities

As at the date of this Prospectus, the Company's Senior Management is made up of the persons listed below:

Name	Position	Professional address
Meinrad Spenger	Delegated Manager	Avenida de la Vega, 15, 28108 Alcobendas (Madrid)
Fernando Castro	Communications	Avenida de la Vega, 15, 28108 Alcobendas (Madrid)
José María del Corro	Finance	Avenida de la Vega, 15, 28108 Alcobendas (Madrid)
Juan Luis Delgado	Legal and Compliance Department	Avenida de la Vega, 15, 28108 Alcobendas (Madrid)
Eduardo Duato	Strategic Projects	Avenida de la Vega, 15, 28108 Alcobendas (Madrid)
Pablo Freire	Strategy	Avenida de la Vega, 15, 28108 Alcobendas (Madrid)
Víctor Guerrero	Companies and Wholesale operators	Avenida de la Vega, 15, 28108 Alcobendas (Madrid)
German López	Residential	Avenida de la Vega, 15, 28108 Alcobendas (Madrid)
Javier Marín	Corporate Finance and Investor Relations	Avenida de la Vega, 15, 28108 Alcobendas (Madrid)
Fernando Molina	Technology	Avenida de la Vega, 15, 28108 Alcobendas (Madrid)
Miguel A. Suárez	Deputy Director	Avenida de la Vega, 15, 28108 Alcobendas (Madrid)

A brief description is provided below of the levels of preparation and relevant professional experience of the current members of the Company's Senior Management. A description of the levels of preparation and professional experience of those senior management members who, at the same time, fulfil the function of Board members for the Company can be found in section 14.1.1.1 above.

#### Mr. Meinrad Spenger

See CV in the above section where he appears as serving on the Board of Directors.

#### Mr. Fernando Castro

Holds a Bachelor Degree in Journalism from Universidad San Pablo CEU in Madrid. He holds an Executive MBA from Instituto de Empresa (IE) in Madrid.

He was part of the team which founded Amena, as Head of Press Relations. He was later made Deputy Director of Communication for Auna Group, comprising Retevisión and Amena. After Amena was acquired by Orange, he held the position of Communications Director at Orange Spain for ten (10) years, thus acquiring extensive experience in managing communication at the national and international levels.

#### Mr. José María del Corro

Holds a Bachelor Degree in Economics (Madrid). He holds an MBA from Instituto de Empresa, a PDG from IESE, attended the *Top Management Program*, organised by the Prime Minister's Cabinet (UK) and most recently attended the *Global CEO Program* organised by IESE and the Wharton School of Economics.

His first position of employment was in the nuclear sector, and he later joined the National Institute of Industry [*Instituto Nacional de Industria*] as deputy to the Managing Director, carrying out activities to restructure and privatise companies in mining, shipbuilding, steelworks, specialised steel processing and in the team equipment sector. Latterly, he was appointed Deputy Director General of Spain's Space Industry, Electronics and Defence [*Industria Aeroespacial, Electrónica y Defensa*], where he took part in consolidating the industry in Spain. In 1995 he held the position of Financial Director Construcciones Aeronáuticas (CASA) and played an active role in the merger of the European aerospace industry through the incorporation of EADS and its listing on three stock exchanges (Madrid, Paris and Frankfurt), holding responsibility for the Spanish component. He served as Finance Director for Airbus Spain and EADS Spain and also served as Chairman and board member of AIRBUS Finance Company (Dublin). In 2001 he joined Xfera Móviles (Yoigo) as Financial Managing Director.

#### Mr. Juan Luis Delgado

Holds a Bachelor Degree in Law from Salamanca University and spent his Erasmus exchange at the University of Leiden (Holland). He holds a Master's in Legal Advice for Business and a PDD [Executive Development Programme] from I.E. Business School, as well as a variety of postgraduate and specialised programmes in Legal Advice in Consumer Rights, Community Law (Jean Monet Faculty), *Compliance, Corporate Finance*, Board Membership and Executive Development (from Salamanca University, I.E. Business School and Otto Walter).

Juan Luis is an executive trained in the legal advice sector with over 20 years' experience. In years prior to joining MÁSMOVIL he served as General Secretary of the Board at ONO, and was also a member of its Executive Committee, until its acquisition by, and merger with Vodafone, holding final responsibility for the Legal Advice, Regulatory, Corporate Security, Fulfilment Departments as well as Internal Auditing in the final months. Prior to this, when at Ono, from 1997 Juan Luis held a variety of positions in the Legal Advisory Department and on the General Secretariat of this operator, notably as corporate development lawyer, legal advisory manager and deputy secretary-general. Prior to joining ONO, Juan Luis began his professional career at a Madrid-based corporate law firm (Echarri & Brindle Abogados) which later merged with Mullerat Abogados, which is also now dissolved.

#### Mr. Eduardo Duato

Telecommunications Engineer trained at Universidad Politécnica in Madrid.

He began his professional career at Telefónica I+Mr. He worked for 12 years at the European Space Agency, initially at the Operations Center in Germany, and later in Holland and the US, concluding this stage with responsibility for the land segment in Italy. He was CTO of Amena, Orange and Yoigo, and launched a series of generations of mobile and landline technologies.

#### Mr. Pablo Freire

Holds a Bachelor Degree in Business Administration and Management (A Coruña). He also completed postgraduate qualifications at IESE and at Instituto de Empresa (IE).

Pablo Freire joined the Group in 2015 and is currently Strategy Director. He had previously held a variety of positions of responsibility at operator company Ono (now incorporated into Vodafone Spain). These positions included Director of Strategy, Director of Business Development and Innovation, Director of Operators and Inter-connectivity and Finance Director within the Companies and Operators Unit. Prior to this he worked in Financial Planning and

Managerial Auditing within the Auna Telecomunicaciones Group. Pablo began his professional career as an auditor and consultant at multinational Arthur Andersen (now Deloitte).

Mr. Víctor Guerrero

Holds a Bachelor Degree in Management from Escuela de Empresariales de los Jesuitas (University of Córdoba), as well as an MBA from the Instituto de Empresa and the Executive Management Programme [*Programa de Dirección General*] from IESE.

He worked in a variety of capacities within Telepizza Group for 13 years, fulfilling the roles, among others, of Managing Director of Telepizza Portugal, Finance Director of the Grupo and Managing Director of International and New Trade. He worked for 10 years within telecommunications operator Ono, holding the positions of Regional Director and Managing Director of Businesses.

Mr. German López

A Telecommunications Engineer trained at the Universidad Politécnica in Madrid and Grenoble INP – Phelma, he also holds a MBA from IE Business School and completed a postgraduate course at the Wharton School, University of Pennsylvania.

He was head of purchasing and of the OMV project at El Corte Inglés, and worked at Telefónica and France Telecom Uni2. He was also European Chairman of Brighstar, and was CEO of 2020 Mobile Iberia, an important logistical and distribution operator in the telecommunications sector, as well as Global COO of BQ. He also sat on a variety of Boards, including that of MÁSMOVIL Ibercom.

Mr. Javier Marín

Javier holds a triple-major BA (*finance, investments and economics*) from Babson College (MA, United States of America) and an MSc in Finance from Texas Tech University (TX, United States of America). Javier is a Certified Financial Analyst (CFA).

Javier is Managing Director of corporate finance and investor relations. He has 26 years' experience working in the finance sector. He began his career as an investment banker in 1991 at AB Asesores as a fixed income trader, taking part in the launch of the Spanish futures market [*mercado español de futuros financieros (MEEF)*], and would later transition to Apex Partners where he served as executive director of corporate finance, specialising in European M&A operations. He also worked for almost 10 years at Morgan Stanley, mostly in London, in equity research, having led the Initial Public Offering of medium-turnover companies in France, Sweden and Russia, as well as in Chevroux (Crédit Agricole). Prior to joining MÁSMOVIL, he was Director of Investor Relations at Indra for 7 years.

Mr. Fernando Molina

Senior Telecommunications Engineer trained at Universidad Politécnica in Madrid. He also holds an MBA from Henley Management College. He completed a variety of courses in Team Management, Coaching, Negotiations, Client Management and Change Manager, including courses at London Business School and IMM.

Fernando has over 20 years' experience in the Telecommunications sector. Previously, he worked at Vodafone, where he held a broad range of positions, including Network Deployment Director. In this capacity, he held responsibility for the launch of the first commercial 4G network in Spain. He was also Director of Products, Services and Innovation, and in this capacity, he headed the launch of products such as Vodafone Office [*Oficina Vodafone*]. He was Marketing Director for Data and Content, and was responsible for the commercial launch of 3G for Vodafone Spain. He was Director of CEO programmes, Director of the Centre for Product

Excellence, Head of Service Development, Head of Applications Implementation, and National Head of Radio Frequency. At the start of his career, in 1994, he played a role in securing the second national licence for GSM in Spain on behalf of Airtel and the process to make the network available, holding responsibility for national optimisation for the launch.

Mr. Miguel A. Suárez

Senior Telecommunications Engineer (University of the Basque Country) also holding an MBA from IESE.

Over 18 years' experience in Telecommunications, seven spent at Oliver Wyman where he held the position of *Principal/Associate Partner*. Latterly he worked at a number of operators holding the position, among others, of Director of Strategy and Supply at Jazztel, as well as serving as COO for KPN Spain. He was also Business Development Director at a Telephony company focusing on mobile applications. He has solid international experience gained through projects in countries such as Spain, Portugal, the United States of America, Brazil, Mexico, Morocco and India, among others, and founded two start-ups.

Nature of any family relationship between any of these persons

There is no family relationship of any kind between the persons mentioned in section 14.1, with respect to the definition of "close family members" as establish in the regulations applicable to related operations (Order EHA/3050/2004 of 15 September, on the disclosure of related operations to be supplied by companies issuing securities admitted to trading on official secondary markets).

As concerns members of the administrative, management or supervisory bodies within the Issuer and persons described in sections 14.1.2. y 14.1.4., information on the levels of preparation and relevant management experience of these persons, in addition to the following:

*14.1.1.3. Names of all companies and associations within which this individual has been a member of the administrative, managerial or supervisory bodies, or has held a partnership at any point over the past five years. It should be specified whether this person remains a member of the administrative, managerial or supervisory bodies, or is a partner. It is not necessary to enumerate all the subsidiaries within one Issuer within which the person is also a member of the administrative, managerial or supervisory bodies.*

Members of the Board of Directors, management or supervisory bodies and members of MÁSMOVIL senior management fulfil the functions and positions specified in their respective professional profiles. According to the information which is available to the Company, MÁSMOVIL's Board Members and senior management do not carry out, be it on their own behalf or as proxies, activities which are identical to, similar to or complementary to the type of activity which constitutes MÁSMOVIL's company purpose, such as this has been defined in section 5.1.4.2. of the Registration Document within this Prospectus, beyond that appearing in these individuals' respective profiles.

A list is provided below of the significant companies and organisations in which each member of the MÁSMOVIL Board of Directors have held positions in administrative, managerial or supervisory bodies, or of which they have been partners within the last five (5) years:

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Name	Company	Description of the position	Validity Period	
			Start	End
Eduardo Diez-Hochleitner	Masmovil Ibercom, S.A.	Shareholder	03/06/2014	Currently in force
José Eulalio Poza	Key Wolf, S.L.U.	Sole Director	25/05/2015	Currently in force
Josep Maria Echarri	Upptalk, S.L.	Director	03/12/2014	Currently in force
Josep Maria Echarri	Inveready Seed Capital, S.C.R., S.A.	Director	26/06/2012	Currently in force
Josep Maria Echarri	Inveready Capital Company, S.L.	Director	30/06/2009	Currently in force
Cristina Aldámiz	ACS Actividades de Construcción y Servicios, S.A.	Shareholder	21/03/2012	Currently in force
Cristina Aldámiz	ACS Actividades de Construcción y Servicios, S.A.	Head of Mergers and Acquisition Unit	2001	2015
Cristina Aldámiz	ACS Actividades de Construcción y Servicios, S.A.	Head of Finance and Corporate Development	2015	Currently in force
Felipe Fernández Atela	Arsys Internet S.L.U.	Chairman of the Board of Directors	01/06/2009	01/06/2013
Felipe Fernández Atela	NTT DOCOMO / Buongiorno	Chairman of the Board of Directors	01/10/2007	Currently in force
Felipe Fernández Atela	Experian Bureau de Credito S.A.	Chairman of the Board of Directors	01/09/2012	Currently in force
Borja Fernández Espejel	Masmovil Ibercom, S.A.	Shareholder	2017	Currently in force
Borja Fernández Espejel	Metrovacesa, S.A.	Chief Finance and Strategy Officer	01/07/2013	01/02/2017
Borja Fernández Espejel	Aldebarán, S.C.R., S.A.	General Manager	01/06/2010	01/07/2013
Ángel García Altozano	ACS Actividades de Construcción y Servicios, S.A.	Shareholder	1997	Currently in force
Ángel García Altozano	Abertis Infraestructuras S.A.	Director	30/05/2003	22/06/2012
Ángel García Altozano	ACS Servicios y Concesiones S.L.	Director	01/06/1998	Currently in force
Ángel García Altozano	ACS Servicios, Comunicaciones y Energía, S.L.	Director	22/09/2004	Currently in force
Ángel García Altozano	ACS Telefonía Móvil S.L.	Sole Director's Physical Representative	16/07/2009	Currently in force
Ángel García Altozano	Dragados, S.A.	Director	1998	Currently in force
Ángel García Altozano	ACS Actividades de Construcción y Servicios, S.A.	Corporate General Manager	1996	Currently in force
Antonio García Ortiz	Masmovil Ibercom, S.A.	Shareholder	2015	Currently in force
Antonio García Ortiz	Aldebarán Riesgo, S.C.R. de régimen simplificado, S.A.U.	Chairman of the Board of Directors	17/11/2010	Currently in force
Antonio García Ortiz	Caser Asistencia, S.A.	Co-administrator	30/06/2016	Currently in force
Antonio García Ortiz	Caser Gestión Técnica, A.I.E.	Co-administrator	22/05/2009	Currently in force
Antonio García Ortiz	Sa Nostra Compañía de Seguros de Vida, S.A.	Director	09/02/2010	Currently in force
John Hahn	Providence Equity LLP	Director	31/03/2013	Currently in force
John Hahn	Grupo Corporativo Ono S.A.	Director	04/11/2005	23/07/2014
Pilar Zulueta	Everis Spain, S.L.	Independent Director	01/04/2009	Currently in force

A list is provided below of the significant companies and organisations in whose administrative, managerial or supervisory bodies members of MÁSMOVIL Senior Management have served, or have held positions as partners within the past five (5) years:

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish. In the event of discrepancy, the Spanish version will prevail.**

Name	Company	Description of the position	Period	
			Start	End
Juan Luis Delgado Domínguez	Vodafone ONO, S.A.U. (Cableuropa, S.A.U.)	Legal Support General Secretary/ Manager	ene-12	ene-15
	Grupo Corporativo ONO, S.A.	Secretary (non director) of the Board of Directors	mar-09	jul-14
José María del Corro	Optenet, S.A.	Independent Director	abr-10	oct-12
	Lyxor Stoxx Europe 600 Telecommunications	Shareholder (small inverstor)		Vigente
	Telefónica de España, S.A.	Shareholder (small inverstor)		Vigente
Víctor Guerrero	Factor Energía, S.A.	Commercial Managing Director	may-15	oct-15
	Vodafone España, S.A.	Corporate Manager	ene-15	feb-15
	Vodafone ONO, S.A.U. (Cableuropa, S.A.U.)	Business Managing Director	feb-09	dic-14
	Cellnex Telecom, S.A.	Shareholder (small inverstor)		Vigente
Fernando Castro	Orange Espagne, S.A.	Communication Manager	jun-07	abr-16
Eduardo Duato	Orange Espagne, S.A.	Technical Manager	dic-06	dic-14
Javier Marín	---	---	---	---
Fernando Molina	Vodafone España, S.A.	Network Deployment Manager	abr-12	abr-15
	Vodafone Group, PLC	Shareholder (small inverstor)		Vigente
	Verizone Telecommunications	Shareholder (small inverstor)		Vigente
	Telefónica de España, S.A.	Shareholder (small inverstor)		Vigente
Pablo Freire	Vodafone España, S.A.	Strategy and Business Development Manager	sep-14	mar-15
	Vodafone ONO, S.A.U. (Cableuropa, S.A.U.)	Business and Innovation Development Manager	sep-09	ago-14
Miguel Angel Suarez	Jazz Telecom, S.A.	Strategy and Offer Manager	abr-11	nov-15
	Telefónica de España, S.A.	Shareholder (small inverstor)		Vigente
	Atresmedia Corporación de Medios de Comunicación, S.A.	Shareholder (small inverstor)		Vigente
Germán López	Masmovil Ibercom, S.A.	Director	jun-15	oct-16
	BQ Mundo Reader, S.L.	Operation Manager	abr-16	may-17
	Brightstar Europa	General Manager	dic-13	dic-14
	2020Mobile	General Manager	sep-07	dic-13

“minor investor” refers to minor-level shareholding, which in any case is far removed from a managerial control position, in listed companies in the telecommunications sector or related sectors.

*14.1.1.4. Any conviction for acts of fraud within at least the last five years*

It must be noted that no member of the Board of Directors, or of the managerial or executive bodies of the Company has been convicted of fraud within the past five (5) years preceding the date of this Prospectus.

*14.1.1.5. Details of any bankruptcy, receivership or liquidation to which any person described in sections 14.1.1. and 14.1.4., who would hold one of the functions establish in sections 14.1.1. and 14.1.4 has been connected within at least the past five (5) years*

It must be noted that no member of the Board of Directors, of the managerial or supervisory bodies nor of Senior Management within the Company has been involved, as a member of the Board of Directors or as a Senior Management member within the Company, in any bankruptcy proceedings, receivership or liquidation of any kind pertaining to any trading company within the past five (5) years prior to this Prospectus’s date.

*14.1.1.6. Details of any public prosecution and/or sanctions against this person by statutory or regulatory authorities (including designated professional bodies), specifying whether this person was at any point disqualified by a court for his/her conduct as member of the administrative, managerial or supervisory bodies within an Issuer or through his/her conduct in managing the affairs of an Issuer over at least the preceding five years*

It must be noted that no member of the Board of Directors, the managerial or supervisory boards, nor of the senior management of the Company has been subject to penal prosecution or been subject to administrative sanctions by statutory or regulatory authorities, nor been disqualified by any Court owing to his/her conduct as a member of the administrative, managerial or supervisory bodies within an Issuer or owing to his/her conduct in the management of an Issuer’s affairs within five (5) years preceding the date of this Prospectus.

**14.2 Conflicts of interest within the administrative, managerial and supervisory bodies, and other executives positions**

Throughout the timeframe covered by the historic financial information and up to the registration date of this Prospectus, and according to the information supplied to the Company, neither the members of the Board of Directors nor those of the managerial and supervisory bodies, nor the executives mentioned in section 14.1 of this Registration Document has any conflict of interest of any kind between his/her Company remit and his/her interests of a private nature or any other nature. They also do not carry out activities on their own behalf or as proxies for business of an identical, similar or complementary nature as that of the business purpose of the Company according to the provisions of article 229 of the Spanish Companies Act.

Agreements or understandings with major shareholders, suppliers or others, in respect of which any person mentioned in section 14.1 should have been appointed member of the administrative body or as a member of senior management

The proposal put forward by the MÁSMOVIL Board of Directors, on the appointment of the members specified below (whose appointment was made by the General Shareholders' Meeting, as is stipulated in section 16.1 of this Registration Document), is derived from the agreements subscribed to by MÁSMOVIL, which are as below:

- a) Mr. John C. Hahn and Mr. Robert Sudo, with respect to the agreement subscribed to by MÁSMOVIL and PLT VII Holdco S.à r.l., on 7 July 2016, which was entered into the MÁSMOVIL public registry of bonds convertible into securities, authorised by Madrid Notary Mr Andrés de la Fuente O'Connor, under number 1.911 of his protocol, registered in the Guipúzcoa commercial registry (67<sup>a</sup>).
- b) Mr. Ángel Manuel García Altozano and Ms. Cristina Aldámiz-Echevarría González de Durana, with respect to the agreement subscribed to by MÁSMOVIL and ACS Telefonía Móvil, S.L., on 20 June 2016, which was registered as a public deed authorised on the same date before Madrid Notary Ms. María del Rosario de Miguel Roses, under number 1.420 of her protocol.

Other than the above, MÁSMOVIL has no record of any type of agreement or understanding with major shareholders, clients, suppliers or others in respect of which any person mentioned in section 14.1 above should have been appointed as a member of the Board of Directors or as senior executive.

Information on any restriction granted by persons mentioned in section 14.1 on the disposal, within a determinate period of time, of its share of securities held with the Issuer

The Company has no record of the existence of restrictions granted by persons mentioned in section 14.1 if this Registration Document as regards the disposal, within a determinate period of time, of its share hold in MÁSMOVIL or of any other time restriction for the transmissibility of the Company's shares.

## **15. REMUNERATION AND BENEFITS**

### **15.1. Paid remuneration amount (including contingent or delayed fees) and services in kind granted to these persons by the Issuer and its subsidiaries for any type of service rendered by any person to the Issuer and its subsidiaries**

#### Remuneration paid to members of the Board of Directors, the administrative or supervisory bodies within the Company

In accordance with the provisions of article 38 of the Company Statutes and in article 25 of the Regulations of the Company's Board of Directors, the position of Member of the Board of Directors shall be remunerated.

Such remuneration shall consist of a fixed amount, the yearly total of which shall be determined for each financial year subject to approval of the Annual Meeting, may vary for each of the Board members, and which shall remain in vigour until such time as any amendment thereto is approved. It shall be the Board of Directors' task to establish the level of remuneration for each Board Member in their capacity as such, taking into account the roles and responsibilities allocated to each Board Member, their belonging to Board of Directors' Committees and any other objective circumstances it may deem relevant.

Remuneration of the Board Members may entail, in addition, and independently from the provisions of the previous paragraph, remuneration in expenses, in the issuance of shares or opt-in rights in relation to the same, or remuneration paid out according to the Company's share value, or which consists of variable remuneration. The implementation of such systems must be approved at the General Meeting, which will determine the maximum number of shares which may be allocated for each financial year for this system of remuneration, the strike price for the share options, the value of shares which, where applicable, shall be used for reference purposes, as well as the timeframe of the system to be agreed upon, along with any number of conditions it may deem appropriate.

The Company must adopt a civil liability policy for its Board Members and Executives.

The Board Members' remuneration shall in any case remain reasonably proportionate with the Company's size, its financial situation at all times and the market standards of comparable companies. The remuneration system establish must be orientated towards promoting affordability and sustainability in the long-term for the Company and take necessary precautions to avoid an excessive increase in risks and the rewarding of unfavourable results.

The position of Board Member shall be compatible with any other position or executive role in the Company for which the Board Member receives any remuneration other than that earned by the former for sitting on the Board of Directors, with full disclosure of the other said functions and respective remuneration provided by the Appointment and Remunerations Committee, thus guaranteeing the principle of transparency in relation to the remuneration of the Board Members for all proceeds.

Board members carrying out executive functions will, in addition, be entitled to receive any remuneration for the fulfilment of said responsibilities as may be establish in the contract entered into for this purpose between the Board Member and the Company including, where applicable, any potential compensation for early termination and the amounts to be paid by the company as insurance premiums or contributions to savings schemes. The Board Member shall not be eligible for any form of remuneration for the fulfilment of executive functions the amounts or purposes of which are not establish in the contract. The contract must be in compliance with the remuneration policy approved at the General Shareholders' Meeting.

Board Member remuneration shall be in keeping with the policy on the remuneration of Board Members approved by the General Meeting, and, where applicable, the specific agreements

approved at the General Shareholders' meeting, which are separate as concerns Board Member remuneration. The remunerations policy will establish the amount of the fixed remuneration, the annual fixed remuneration and any multi-year variable remuneration, including the income parameters, as well as any potential compensation for termination of the contract, provided that this termination shall not be due to non-fulfilment of the administrator's role, or non-fulfilment of any potential commitments on the Company's part to pay sums as insurance premiums or as contribution to savings or retirement plans.

The Appointments and Remunerations Committee, at the request of the Board of Directors, committed a report from Parangon Partners ([www.parangonpartners.com](http://www.parangonpartners.com)) on the ideal level of remuneration for the Company's Board Members, taking into account the capitalisation level, the sector and the commitment levels of the Company's Shareholders' Board Members, among other relevant factors. Pursuant to the conclusions in the report issued by Parangon Partners in May 2017, the Board of Directors, following the report and recommendation by the Appointments and Remunerations Committee, agreed during its session of 22 May 2017 to suggest to the General Shareholders' Meeting an update to the maximum amount to be paid to Board Members, such as it is for the period extending from 1 July 2017 to 30 June 2018, in order for it to be fixed at 750,000 Euros. The approval at the Shareholders' Meeting for this amount entailed an increase of 150,000 Euros in relation to the previous amount, at a total of 600,000 Euros. The distribution of this remuneration between the Board Members was put forward and approved at the General Shareholders' Meeting. Below is a table showing the total remuneration earned by each of the Board of Directors' Members for the financial years of 2014, 2015 and 2016 and the first quarter of 2017, as well as an estimate for 2017, excluding remuneration received by Senior Management, as applicable:

Director (data in Euros)- Gross fixed remuneration	Estimate year 2017	First quarter 2017	2016	2015	2014
Mr. Eduardo Diez-Hochleitner Rodríguez	88.000	22.000	64.361	30.247	0
Mr. José María Echarri Torres	44.000	11.000	6.852	0	0
KEY WOLF, S.L. (represented by Mr. José Eulalio Poza Sanz)*	40.000	10.000	6.230	0	0
Mr. Meinrad Spenger	0	0	0	0	0
Mrs. Cristina Aldámiz-Echevarría González de Durana	40.000	10.000	6.230	0	0
Mr. Felipe Fernández Atela	63.000	15.750	26.275	9.830	0
Mr. Borja Fernández Espejel	65.000	16.250	10.123	0	0
Mr. Ángel Manuel García Altozano	40.000	10.000	6.230	0	0
Mr. Antonio García Ortiz	40.000	10.000	22.693	9.830	0
Mr. John C. Hahn	44.000	11.000	6.852	0	0
Mr. Roberto Sudo	44.000	11.000	6.852	0	0
Mrs. Pilar Zulueta de Oya	44.000	11.000	6.852	0	0
Mr. José Germán López Fernández	0	0	14.545	9.830	0
<b>Total</b>	<b>552.000</b>	<b>138.000</b>	<b>184.094</b>	<b>59.737</b>	<b>0</b>

Source: MASMOVIL Group

\* Until 2 December 2016 he was an individual member of the Board of Directors.

Since then he is a representative of the shareholder KEY WOLF, S.L. in the Board of Directors.

The remuneration of MÁSMOVIL's Board Member, Mr. Meinrad Spenger, the sole Board Member holding executive functions in the Company, in 2016, 2015, and in the first quarter of 2017, as well as salary expectations for 2017 (including fixed and variable remuneration) is provided in detail below. Mr. Meinrad Spenger does not receive any payment of any kind for any purpose other than for the fulfilment of his Executive functions.

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

(En euros)	Ejercicio			
	Estimación ejercicio 2017	1T 2017	2016	2015
<b>Retribución</b>	<b>525.000</b>	<b>87.500</b>	<b>465.000</b>	<b>218.000</b>
Fija	350.000	87.500	165.000	143.000
Variable	175.000		300.000	75.000
<b>Especie</b>	<b>10.282</b>	<b>2.520</b>	<b>6.596</b>	<b>0</b>
<b>Otros</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>535.282</b>	<b>90.020</b>	<b>471.596</b>	<b>218.000</b>

Fuente: Grupo MASMOVIL

#### Remuneration of senior executives within the Company

Below is a table which breaks down the remuneration of high level executives within the Company (this does not include the gross yearly salary of the Company Board Member mentioned in the previous point) during financial years 2014, 2015, 2016 and the first quarter of 2017:

(En euros)	Ejercicio			
	1T 2017	2016	2015	2014
<b>Retribución</b>	<b>481.040</b>	<b>1.491.273</b>	<b>595.274</b>	<b>357.242</b>
Fija	266.985	1.410.457	552.750	201.301
Variable	214.055	80.816	42.524	155.941
<b>Especie</b>	<b>22.637</b>	<b>47.165</b>	<b>27.761</b>	<b>5.759</b>
<b>Otros</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>503.677</b>	<b>1.538.438</b>	<b>623.035</b>	<b>363.001</b>

Fuente: Grupo MASMOVIL

#### **15.2. Total amounts saved or accumulated by the Issuer or its subsidiaries for the provision of pensions, retirement or similar benefits**

There are no down payments or credits awarded to the Board Members nor to current Senior Management, nor are there obligations in matters of pensions and life insurance pertaining to former members and current members of the administrative body, nor have undertakings been made on their behalf by way of a guarantee.

## 16. **MANAGEMENT PRACTICES**

### 16.1. **Expiry date of the current office, where applicable, and details of the period during which the person has served in this capacity**

In accordance with Article 31 of the Company Statutes and article 22.2 of the Regulations of the Board of Directors, the Board members will hold office for a term of four (4) years, with the possibility of being re-elected for periods of equal maximum duration, it being understood for these purposes that the year ends on the day on which the first Shareholders' Meeting is held, after the aforementioned term has elapsed or when the legal term for holding the Ordinary Shareholders' Meeting has elapsed.

In keeping with the above, below is a breakdown of the period during which the Board Members of the Company fulfil their respective roles according to the date on which they were appointed:

Name	Date of Appointment	Date of Termination of Office
Mr. Eduardo Diez-Hochleitner Rodríguez	29/06/2015	29/06/2019
KEY WOLF, S.L.U. (Mr. José Eulalio Poza Sanz)	01/03/2017	01/03/2021
Mr. Josep María Echarri Torres	01/03/2017	01/03/2021
Mr. Meinrad Spenger	30/05/2014	30/05/2018
Ms. Cristina Aldámiz-Echevarría González de Durana	04/11/2016	04/11/2020
Mr. Felipe Fernández Atela	29/06/2015	29/06/2019
Mr. Borja Fernández Espejel	04/11/2016	04/11/2020
Mr. Ángel Manuel García Altozano	04/11/2016	04/11/2020
Mr. Antonio García Ortiz	23/06/2016	23/06/2020
Mr. John C. Hahn	04/11/2016	04/11/2020
Mr. Robert Sudo	04/11/2016	04/11/2020
Ms. Pilar Zulueta de Oya	04/11/2016	04/11/2020

### 16.2. **Information on contracts for members of the administrative, managerial or supervisory bodies held with the Issuer or any of its subsidiaries which provide benefits upon termination of their office, or the relevant clause to the contrary**

Only the CEO, Mr Meinrad Spenger, benefits from a contract comprising a series of possible benefits as a consequence of the termination of his office or functions.

The contract thus establishes the following compensatory clauses in the event of termination of same:

- In the event that the resolution applies to breach on the part of the Delegate Board member: no compensation of any kind is provided.

- In the event that the resolution applies to breach on the part of the Company or to causes other than breach on the part of the Board Member: compensation equivalent to gross yearly remuneration is provided.
- In the event that the resolution applies to a company transfer (acquisition or change in management of MÁSMOVIL) compensation equivalent to two years of gross remuneration over shall be provided.

**16.3. Information on the Issuer's auditing committee and the remunerations committee, with details of the names for the committee members and a summary of their internal regulations**

The Company's Statutes and the Regulations of the Board of Directors provide for the constitution of an Audit and Control Committee as well as an Appointments and Remuneration Committee, which establish the functioning thereof, to be described below.

Audit and Managerial Control Committee

Regulations governing the organisation and the functioning of the Audit and Control Committee, summarized below, are found in articles 14, 15 and 16 of the Regulations of the Board of Directors.

*16.3.1.1. Structure*

In accordance with the provisions of article 14 of the Regulations of the Board of Directors, the Audit and Control Committee is composed of five (5) non-executive Board Members appointed by the Board of Directors, the majority of whom shall, at the very least, serve as independent board members.

Members of the Audit and Control Committee shall be appointed, particularly in the case of their Chairman, according to their knowledge and experience in matters of accounting, auditing or risk management.

The Board of Directors may appoint deputies for the members of the Audit and Control Committee who may only participate in its meetings due to the absence or inability of the member whom they are replacing. The deputy shall undertake the function of Board Member in the same category as the member whom he/she is replacing and shall be appointed based on the appropriate knowledge, competencies and experience for the position which he/she shall be called upon to fulfil. In the event of a deputy being named, said deputy shall be present at the meeting of the Audit and Control Committee in his/her own name and not as a representative of the member whom he/she is substituting.

The Chairman of the Committee shall be appointed by the Board of Directors from among the independent Members who form part of the Board and shall be replaced every four (4) years, without prejudice to the possibility of their being re-elected once the term of one (1) year has elapsed since the end of Member's tenure, for the same terms.

In the event of the Chairman's inability or absence, he/she shall be replaced by the Board Member also sitting on the Audit and Control Committee appointed for such purposes, and shall be replaced by default by the member of the Committee who is most advanced in age.

This individual shall act as Secretary of the Board of Directors, or, if unable to do so, any other Board Member appointed to the position by the Board of Directors.

The external and internal auditors, as well as the Company's Compliance Officer must attend the meetings of the Audit and Control Committee, provided that the Chairman of the latter should deem this appropriate. This shall also be required of any other member of the

Company's staff or of the Group's staff whose role may relate to the functions of said Committee.

To date, the Audit and Control Committee is composed of the following:

Name	Position	Character
Mr. Borja Fernández Espejel	President	Independent
Mr. Eduardo Diez-Hochleitner	Spokesperson	Independent
Mr. Josep Maria Echarri Torres	Spokesperson	Proprietary
Mr. Robert Sudo	Spokesperson	Proprietary
Ms. Pilar Zulueta de Oya	Spokesperson	Independent

#### 16.3.1.2. Operations

In accordance with the provisions of article 16 of the Regulations of the Board of Directors, the Audit and Control Committees regulations on its operations may be summarised as follows:

- The Audit and Control Committee shall meet as many times as called upon to do so by the Chairman, when this is requested by at least two (2) of its members or by request of the Board of Directors, and, in any case, shall meet periodically, in order to share information on financial statements and on annual accounts.
- The Auditing and Control Committee's sessions shall take place at the Company Headquarters or at any other location determined by the Chairman and specified in the notification, which shall be validly constituted when attended by, be they present, represented or substituted, the majority of the members, its decisions being adopted by votes in favour from the majority of the members attending the meeting. In the event of a tie, the Chairman's vote or the vote of whosoever should be acting on his/her behalf shall have the casting vote.
- Any member of Senior Management or of the Company's staff required to attend the sessions of the Audit and Control Committee shall do so, and shall collaborate and grant access to the information he/she holds. The attendance of any other member of senior management shall not be necessary. This Committee may also require that its sessions be attended by the external Account Auditors.

#### 16.3.1.3. Functions

According to the provisions of article 15 of the Regulations of the Board of Directors, the Audit and Control Committee shall not hold delegate powers, as it is an internal body whose function is to disseminate information and provide consultation. Without prejudice to any other roles assigned by the Board of Directors, the Company Statutes or by Law, the Audit and Control Committee shall hold the following basic responsibilities:

- To report to the General Shareholders' meetings on issues raised regarding its competency, particularly as regards the audit outcome, explaining how this has contributed to the integrity of the financial information and the role played by the Committee in this process. In this respect, the Auditing and Control Commission shall see to it that the Board of Directors endeavours to present accounts at the General Shareholders' Meeting without restrictions or reservations in the audit report and that, in

exceptional circumstances in which reservations do exist, both the President of the Audit and Control Committee and the Auditors should clearly explain the content and the scope of said limitations or reservations to the shareholders.

- Monitor the Company's internal control efficiency, as well as the internal audit and the risk management systems, where applicable, as well as discuss any significant shortcoming of the internal control system which may be detected with the account auditors or company auditors, and where applicable, as the audit progresses, without impinging upon its independent nature. To this effect, and, where applicable, they may provide recommendations to the Board of Directors and a suitable timeframe for the monitoring of same.
- Supervise the preparation and presentation process for the regulated financial information and provide recommendations or proposals to the Board of Directors intended to safeguard its integrity, while monitoring compliance with the regulatory requirements, as well as ensuring the suitable delimitation of the consolidation perimeter and the accurate application of accounting criteria.
- Submit suggestions for the selection, appointment, re-election or replacement of the accounts auditor to the Board of Directors, taking responsibility for the selection process, as well as the terms of his/her involvement and to request information on the auditing plan and its execution from the auditor at regular intervals, while preserving the independent fulfilment of their role, without prejudice to account audit's regulatory requirements.
- Establish appropriate relationships with the account auditors or auditing Companies to receive information on issues which may pose a threat to the independent nature of same, for their assessment by the Committee, as well as any other issues relating to the account audit's development process, as well as, where applicable, authorisation of services other than those prohibited, according to the terms establish in articles 5, section 4 and 6.2.b) EU Regulation no. 537/2014, of 16 April, and the provisions of section 3.<sup>a</sup> of chapter IV item I of Law 22/2015 of 20 July on the Auditing of Accounts, on the independence regime, as well as the communication requirements established in the accounts auditing legislation and auditing regulations, without prejudice to the regulatory requirements for accounts auditing.

In any case, they must receive annually from the accounts auditors or the auditing companies written confirmation of their independent nature before the entity, or entities directly or indirectly related thereto, as well as detailed and individualised information on additional services of any kind provided to this entity by the aforementioned auditors of companies, or by related persons or entities as per the regulatory requirements on accounts auditing activity.

- Issue on an annual basis, prior to the issuance of the accounts auditing report, a report opining on whether the independence of the account auditors or auditing companies is compromised. This report shall establish, in any case, a motivated assessment of the delivery of any and all additional services to which the previous section refers, considered individually and as a whole, other than the legal audit and relating to the independence regime or to the regulatory requirement of the accounts' auditing activity, without prejudice to the accounts auditing regulatory requirements.
- To inform the Board in advance of all matters established by Law, in the Company Statutes and in the Board's Regulations, as well as regarding its competency, particularly as concerns: (i) any financial information which the Company should periodically make public; (ii) the creation or acquisition of contributions made to entities with a special purpose or which are domiciled in countries or territories which are considered to be tax havens, and (iii) operations with related parties.

- There will be, under the Auditing and Control Committee's direct supervision, an internal control and risk management function practiced by an internal unit or department within the Company.
- As many other functions, as may have been assigned in the Board's Regulations or in a specific agreement on the part of the Board of Directors.

In addition, the Audit and Control Committee shall be kept informed of any structural or corporate modifications which the Company is planning to undertake for its analysis and report, before the Board of Directors, regarding its financial conditions and its accounting impact, and in particular, the proposed exchange equation, where applicable.

The Board of Directors may approve the undertaking of the internal auditing task by a specific appointee, who shall see to the proper functioning of the internal information and control systems. This appointee's role shall be subordinate to the Chairman of the Audit and Control Committee. In such cases, by recommendation of the Audit and Control Committee, an Internal Auditory Director and a person responsible for this role shall be appointed, subject to the latter's knowledge of and experience in accounting, auditing or risk management. In such case, the Internal Auditory Director shall: (i) present a work roadmap to the Audit and Control Committee; (ii) directly inform it of any issues arising in the undertaking of same and (iii) shall present at the end of each financial year, before said Committee, an annual report on its activities.

It shall, in addition be the function of the Audit and Control Committee to perform the following tasks:

- In relation to internal information and control systems:
  - Supervise the preparation process and the completeness of the financial information pertaining to the Company and, where applicable, to the Group, monitoring compliance with regulatory requirements and the adequate delimitation of the consolidation perimeter, as well as the correct application of accounting criteria.
  - Ensure the independence of the unit taking on the internal auditing task, where applicable; suggesting the selection appointment, re-election and termination of the internal auditing service appointee; approve the orientation and the work plans, ensuring that its activity is focused mainly on relevant risks; receive periodic information on its activities and verify that senior management takes the conclusions and recommendations found in its reports into account.
  - To establish and oversee a mechanism which may allow employees to relay, confidentially and, if feasible and appropriate, anonymously, potentially impactful irregularities, especially those which are finance and accounting-based, which have been raised within the company.
- A regards the external auditor:
  - Investigate any circumstances which may have led to the external auditor's resignation, should this occur.
  - Ensure that the external auditor's compensation for his/her work does not compromise its quality nor its independence.
  - Ensure that the Company communicates to the CNMV, as a relevant fact, any change in auditors. This communiqué shall be supported by a statement on any dispute with the outgoing auditor and, if this occurs, on its content.

- To ensure that the external auditor maintains, provided that the Board of Directors see fit, a yearly meeting with the plenary of the Board of Directors, to inform it of the work undertaken and of the progress of the accounting situation and risks facing the Company.
  - To ensure that the Company and the external auditor observe the regulations applicable to the delivery of services other than those relating to auditing, the limitations to the auditor's business concentration, and, in general, the other regulations governing the auditors' independence.
- As regards Corporate Reputation:

The realm of corporate reputation involves issues relating to the management of image, brand, external communications, institutional relations and other aspects relating to the fostering of confidence and transparency towards its target groups, which shall be in keeping with the Group's corporate model and determined by the Board of Directors. In this respect, its competencies are:

- To know, promote, orient and supervise the Company's actions as regards corporate reputation and to report on same to the Board of Directors.
- To relay information relating to corporate reputation in the Group's yearly reports, prior to its approval by the Board of Directors.
- To promote the inclusion of areas of possible improvement in the management of intangible assets such as reputation, brand image, intellectual capital, transparency and ethics.
- To evaluate and review execution plans for the Company's strategy as regards corporate reputation and to follow up on its degree of fulfilment.

#### Appointments and Remuneration Committee

Rules on the organisation and the functioning of the Appointments and Remuneration Committees, described below, are established in articles 17, 18 and 19 of the Regulations of the Board of Directors.

##### *16.3.1.4. Composition*

According to the provisions of article 17 of the Board's Regulations, the Appointments and Remuneration Committee shall incorporate three (3) non-executive Board Members appointed by the Board of Directors, the majority of whom must be independent Board Members.

Members of the Appointments and Remuneration Committee shall be appointed subject to their having the knowledge, aptitude and experience necessary for the roles which they shall be called upon to fulfil.

The Board of Directors may appoint deputies for the members of the Appointments and Remuneration Committee who may only attend its meetings due to the absence or the inability of the member whom they are replacing. The deputy must be a Board Member within the same category as the member to be replaced, and shall be appointed subject to his/her suitable knowledge, aptitudes and experience in relation to the function which he/she shall be called upon to fulfil. In the event of replacement, the deputy shall act during the Appointments and Remuneration Committee meeting in his/her own name and not as a representative of the member whom he/she is replacing.

The Chairman of the Committee shall be appointed by the Board of Directors from among the independent Board Members who form part of same and must be replaced every four (4) years, without prejudice to the possibility of their being re-elected once a term of one (1) year has elapsed since his/her termination, for equal periods of time.

In the event of the Chairman's absence or inability, he/she shall be replaced by the Board Member of the Appointments and Remuneration Committee provisionally appointed for this purpose, or, by default, the member of said Committee who is most advanced in age.

He/she shall act as Secretary of the Board of Directors, or by default, any other Board Member capacity assigned by the Board of Directors.

The person responsible for the execution of the Company's remunerations policy, or any other person deemed appropriate by this person, or by the aforementioned Committee, shall be in attendance.

As of this Prospectus's date, the Appointments and Remuneration Committee shall be composed of the following:

Name	Position	Character
Mr. Felipe Fernández Atela	President	Independent
Mr. Eduardo Diez-Hochleitner	Spokesperson	Independent
Mr. John C. Hahn	Spokesperson	Proprietary

#### 16.3.2.2 Functioning

In accordance with the provisions of article 19 of the Regulations of the Board of Directors, the rules on the functioning of the Appointments and Remuneration Committee are as follows:

- The Appointments and Remuneration Committee shall meet on each occasion in which the Board of Directors or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever necessary for the proper undertaking of its functions. It shall also, in any event supervise the dissemination of information on remuneration at the Board of Directors' level.
- The sessions of the Committee shall be held at the corporate headquarters or at any other location chosen by the Chairman and indicated in the notification, and shall be validly constituted in all cases in which the majority of its members is present or represented, its decisions being reached by votes in favour from the majority of the members attending the meeting. In the event of a tie, the Chairman, or the Chairman's replacement, shall have the casting vote.

#### 16.3.1.6 Positions

According to the provisions of article 18 of the Regulations of the Board of Directors, without prejudice to other roles assigned to it by the Board of Directors, the function of the Appointments and Remunerations Committee shall involve the assessment, the issuance of reports and the drafting proposals for the Board of Directors regarding the following matters:

- Appointments:
  - Criteria to be fulfilled for the composition and structure of the Board of Directors, as well as for the selection of candidates to join the Board of Directors, it being necessary to always give notice of the appointment of a

co-opted Board Member, or of the adoption of any proposal on the part of the General Shareholders' meeting on the appointment or termination of any member of the Board of Directors.

Concerning the appointment or re-election of Board Members, it shall make suggestions to the independent Board Members and shall provide information on the appointment of the remaining Board Members, in consultation with the Chairman of the Board of Directors and with the Company's foremost member of Senior Management, particularly as regards matters pertaining to executive Board Members.

The selection process for Board Member candidates must be transparent and shall evaluate, in any case, the competencies, knowledge and professional experience of each candidate, assessing all candidacies and guaranteeing, at all times, non-discrimination for any reason against any potential candidate. Any Board Member may request that the Appointments and Remuneration Committee take under consideration potential candidates to cover the Member's absence, should this be deemed useful.

- It shall establish a representational objective for the least represented gender on the Board of Directors and draft guidelines on how to reach said objective.
- It shall assess the competencies, knowledge and experience necessary at the Board of Directors' level. To this end, it shall determine the capacity and aptitudes necessary for candidates who shall cover absence periods and assess the time and commitment required for them to efficiently fulfil their role. Additionally, a commitment shall be made to periodically evaluate the Board of Directors in accordance with its Chairman, in coordination with any external assessor nominated for this purpose.
- It shall keep the Board of Directors informed as to the composition of the Board and to the diversity in the typology relation and nature of each of the Board Members.
- It shall assess, value and organise the succession of the Board of Directors' Chairman and that of the Company's leading member of Senior Management, and, where applicable, shall draft proposals for the Board of Directors' in order for said succession to be orderly and well-planned.
- It shall provide information on the appointment or the termination of the Secretary, whether this person is or is not a Board Member.
- It shall consult with the Chairman and with the Company's highest member of Senior Management, especially for matters pertaining to the executive board members and senior executives.
- It shall provide information on the proposed appointment of senior executives within the Company, as well as establish the conditions for their appointment and remuneration.
- It shall provide information on the Company's position with regard to the appointment and termination of members of stakeholder administrative bodies.
- It shall relay to the Board of Directors the proposals on the appointment of independent Board Members in the case of appointment by co-opting or

their being subject to a decision by the General Shareholders' Meeting, as well as proposals for the re-election or separation of said Board Members by the General Shareholders' Meeting.

- It shall relay information on the appointment of remaining Board Members in the case of their appointment by co-opting or their being subject to approval from the General Shareholders' meeting, as well as proposals for their re-election or dismissal by the General Shareholders' Meeting.
- It shall relay proposals from the Chairman of the Board of Directors pertaining to the appointment or the dismissal of the Vice-President or Vice-Presidents of the Board of Directors and that of the Secretary or Vice-Secretaries.
- It shall provide solutions to conflicts of interest which have been raised by the Board Members to the Secretary of the Board of Directors, in accordance with the provisions of article 31.3 of the Regulations of the Board of Directors pertaining to the duties of Board Members.

- Remuneration:

- It shall draft a remuneration proposal for the Board Members, in accordance with the remuneration regime established in the Company Statutes, and ways in which the Company is related to the Board Members with executive positions. Said proposal shall be presented to the General Shareholders' meeting for its approval.

Its proposals for the remuneration of the independent Board Members must be intended as remuneration for their dedication and qualifications as well as for the responsibility demanded by the position, taking into account the need that this remuneration not be excessive, so as not to compromise their independence.

Its proposals shall detail the individual remuneration and the contractual terms for the Executive Board Members.

- It shall suggest to the Board of Directors a remuneration policy for the Board Members and managing directors or whoever should fulfil high-level executive functions under the direct supervision of the Board, executive committees or delegate Board Members, as well as the individual remuneration and other contractual conditions or those of delegate Board Members, as well as individual remuneration and other contractual conditions for executive members, ensuring the observance thereof. It shall guarantee that the individual remuneration of executive Board Members is proportionate to that paid to other Board Members and executives within the Company. It shall set the basic conditions for the contracts of the latter and shall assess the criteria for the training, promotion and selection policy of executive personnel within the Company.
- The Committee shall also relay in the first instance any agreement or proposal, on the part of the Board of Directors, on the remuneration of Board Members and executives, in relation to the Company's share value or that of the stakeholder companies, or that consistent with the issuance of shares in the Company, or those of the stakeholders, or the allocation of opt-in rights for same, or any instrument whose final objective should be to retain and motivate said Members of the Board and Directors.

- It shall ensure observance of the remuneration policy drawn up by the Company, and, in this regard, shall promote a policy for the remuneration of the Board Members and high-level executives and shall suggest amendments and updates thereto.

As regards remuneration related to the Company's performance, this must take into account any possible reservations which appear in the external auditor's report and minimise said performance.

- In the case of variable remunerations, the remuneration policies must include the necessary technical caveats to ensure that such remuneration is related to professional performance by the beneficiaries and does not simply arise from the general dynamics of the markets or of the Company's sector, or any other similar circumstances.
- In matters of the Company's Corporate Responsibility:
  - The supervision of the communication and relationship strategy with shareholders and investors, including minor and mid-level shareholders.
  - The review of the Company's corporate responsibility policy, ensuring that the latter is focused on adding value.
  - The monitoring of the corporate responsibility strategy and practices and the evaluation of its level of fulfilment.
  - The monitoring and assessment of the processes in relation to various stakeholders.
  - The assessment of all aspects of non-financial risks facing the company, including those which are operational, technological, legal, social, environmental, political and reputation-based.
  - The coordination of the non-financial information reporting system, and the diversity reporting system, in application of the relevant regulations and international reference standards.

**16.4. Declaration as to whether the Issuer complies with the regime of corporate government for the country in which it was incorporated. In the event of the Issuer not fulfilling this regime, a declaration should be included to this effect, as well as an explanation of the reason for which the Issuer is not in compliance with this regime.**

The Company's system at the time of registration of this Prospectus complies with and follows most of the guidelines, recommendations and practices of corporate governance of the Code of Good Governance of Listed Companies, approved by the CNMV Board on February 18, 2015 (the "Code of Good Governance") or plans to comply with them once their shares are admitted to trading.

To that end, and in order to adapt the Company to the status of listed company contained in the Spanish Companies Act and to the requirements and practices of good corporate governance of listed companies, the Board of Directors of the Company, at its meeting held on May 22, 2017 amended the Regulations of the Board of Directors, as well as the Internal Code of Conduct in Securities Markets. Likewise, at its meeting held on June 22, 2017, the Ordinary General Shareholder's Meeting of the Company approved a new consolidated text of the By-Laws and the amendment of the Regulations of the General Meeting.

In relation to the adaptation of the Company to the requirements and practices of good corporate governance of listed companies, it should be noted that:

- The operating rules of the General Shareholders' Meeting of MÁSMOVIL comply with the recommendations contained in the Code of Good Governance on this matter.
- The Board of Directors has a quantitative composition in accordance with the provisions of the Code of Good Governance and adapts to its recommendations regarding its competencies and operating rules.
- The regime for the selection, re-election and removal of directors is in accordance with the guidelines of the Code of Good Governance.
- The Audit and Control and Appointments and Remuneration Committees have many of the powers contemplated by the Code of Good Corporate Governance.

Notwithstanding the foregoing, in relation to the degree of compliance by the Company with the recommendations of the Code of Good Governance, it should be noted that the following are not complied with:

- Recommendation 5 on the escalating of a proposed delegation of powers to the General Shareholders' Meeting to issue convertible shares or securities with the exclusion of preemptive subscription rights, for an amount exceeding 20% of the capital at the time of delegation. MÁSMOVIL is not expected to comply with this recommendation on the occasion of the admission to trading of its shares in the continuous market.
- Recommendation 7, regarding the webcast of the General Shareholders' Meeting on its website: The Company does not broadcast live the General Shareholders' Meetings in view of their size and capitalization.
- Recommendation 53 regarding the supervision of the compliance of corporate governance regulations, internal codes of conduct and the corporate social liability policy that is attributed to one or that is distributed among several committees of the Board of Directors and are attributed the following minimum responsibilities: The supervision of the compliance of the internal codes of conduct and the Company corporate governance regulations; The supervision of the of the communication strategy and relation with the shareholders and investors, including the medium and small shareholders; The regular assessment of the Company corporate governance system adequacy, with the purpose of fulfilling its mission of promoting social interests and taking into account, as the case may be, the legitimate interests of the remaining interest groups; There review of the Company corporate responsibility policy, ensuring that it is oriented to the creation of value; The follow-up of the strategies and corporate social responsibility practices as well as the assessment of their degree of fulfilment; The supervision and assessment of procedures regarding the different groups of interest; The assessment of everything related to the company nonfinancial risks, including those operational, technological, legal, social, environmental, political and reputational; and the coordination of the of the non financial information reporting about diversity, according to the applicable regulation and the reference international standards. The Company does not formally comply with said recommendation since the faculties regarding the corporate governance and to the supervision responsibilities regarding the standards compliance have been granted to the Board of Directors and not to one of its commissions, even though said questions are regularly de facto reported to the Audit and Control Committee and the Appointment and Retributions Committee.

Likewise, it should be noted that, in relation to the implementation of the following recommendations of the Code of Good Governance the Company, it will adopt them no later than the Ordinary General Meeting of 2018:

- Recommendation 3, regarding the obligation of the Board of Directors Chairman to verbally inform the shareholders, during the celebration of the General Shareholders Meeting, about the most relevant aspects of the Company corporate governance and in particular regarding the changes since the last General Shareholders Meeting and the specific reasons why the company does not follow some of the Good Governance Code recommendations and the alternate regulations applicable to this matter, if any. It is forecasted for the Company to comply with said recommendation at the celebration of the General Shareholders Meeting of 2018.
- Recommendation 6, regarding the sufficiently advanced publication of the General Shareholders Meeting regarding: (i) The report about the auditor independence; (ii) Report regarding the operation of Audit, Appointments and Remunerations Committees (iii) Report of the Audit Committee regarding related operations; (iv) Report about the corporate social responsibility. It is forecasted for the Company to comply with said recommendation at the celebration of the General Shareholders Meeting of 2018.
- Recommendation 9, regarding the permanent publication in the Company website, of the requirements and procedures that will be accepted to accredit the ownership of shares, the right of the shareholders to attend the Shareholders Meeting and the exercise or delegation of the voting right; and that said requirements and procedures favour the attendance and the exercise of the shareholders rights and that the above mentioned are applied in a non-discriminatory fashion. It is forecasted for the Company to comply with said recommendation at the celebration of the General Shareholders Meeting of 2018.
- Recommendation 19, regarding, prior verification by the Appointments and Retributions Committee, the inclusion in the Corporate Governance Annual Report, of the reasons by which regular directors have been appointed at the request of shareholders whose capital share is inferior to 3% of the companies' capital share and provides the reasons by which there has been a disregard of formal requests for the presence in the Board of shareholders whose share participation is equal or exceeds that of others who have been appointed regular directors. It is forecasted for the Company to comply with said recommendation at the publication of the Corporate Governance Annual Report regarding the 2017 business year. It is forecasted for the Company to comply with said recommendation at the publication of the Corporate Governance Annual Report regarding the 2017 business year.
- Recommendation 36, regarding the full Board of Directors assessing and adopting, once a year, as the case may be, a plan of action that corrects the detected deficiencies concerning: (i) The quality and efficiency of the Board of Directors operation; (ii) The operation and composition of its committees; (iii) The diversity in the composition and competences of the Board of Directors; (iv) The development by the Board of Directors Chairman and the first executive of the Company; (v) The development and contribution of each board member, providing special attention to those responsible for the different Board committees. The starting point for the performance of the assessment by the different committees will be the report they submit to the Board of Directors, and the report this last one submits to the Appointment and Retributions Committee. Every three (3) years, the Board of Directors will be aided for the performance of the external consultant assessment, which independence will be verified by the Appointment and Retributions Committee. The business relations that the consultant or any company of its Group maintain with the Company must be detailed in the Corporate Governance Annual Report. The procedure and the assessed areas will be purpose of the description in the Corporate Governance Annual Report. It is forecasted for the Company to comply with said recommendation at the celebration of the General Shareholders Meeting of 2018 at the latest.
- Recommendation 55, therein which the Company is to inform, in a separate document to the management report, about the matters related with the corporate social responsibility,

***Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.***

using for this purpose those internationally accepted standards. It is forecasted for the Company to comply with said recommendation at the publication of the management report corresponding to the 2017 business year.

The Board of Directors shall annually approve an annual Corporate Governance Report of the Company with the legally prescribed statements together with those it deems appropriate. In particular, the report should provide a detailed explanation of the structure of the Company's governance system and its operation in practice, including a description of the main characteristics of the internal control and risk management systems in relation to the process of the issuance of financial information.

In addition, the Company has a corporate website through which it will inform its shareholders and the market in general of any relevant or significant events that occur in relation to the Company. The content and structure of this website will be adapted to the legal provisions and other regulations that may be applicable at any time.

## **17. EMPLOYEES**

### **17.1. Number of employees at the end of the period or average for each year during the period covered by the historical financial information and breakdown of persons employed by main category of activity and geographical location**

The following table details the final number of employees broken down by professional category for the years ended December 31, 2014, 2015 and 2016 and March 31, 2017:

Professional Category	31/03/2017	31/12/2016	31/12/2015	31/12/2014
Directors	12	12	8	1
Senior executives	11	11	11	0
Executives	58	54	12	17
Technical staff	288	295	86	95
Administrative staff	118	70	47	58
Others	69	71	146	104
<b>Total</b>	<b>556</b>	<b>513</b>	<b>310</b>	<b>275</b>

The increase in employees in the period is directly related to the successive additions to the perimeter of Grupo MÁSMOVIL of the companies acquired along with the organic growth of the activity, which in total represented an increase of more than 65% in the workforce between 2015 and 2016 (compared to a 12% increase between 2014 and 2015).

The average number of potential employees during the years 2015, 2016 and March 31, 2017 was as follows:

Temporary employees	31/12/2017	31/12/2016	31/03/2015
Temporary employees	17	15	3

Final No. of employees

Meanwhile, the average number of people employed by MÁSMOVIL during the first quarter of 2017 is as follows:

Professional Category	31/03/2017
Directors	12
Senior executives	11
Executives	56
Technical staff	290
Administrative staff and Others	179
<b>Total</b>	<b>548</b>

17.1.1 Restructuring plans

At the date of registration of this Prospectus, there are no plans for restructuring.

17.1.2 Pension plans

As of the date of registration of this Prospectus, the Company does not offer and is not expected to offer its employees the subscription of pension plans. Shares and options to buy shares

**17.2. Shares and Stock Options**

17.2.1. Shares of MÁSMOVIL owned by executives

The directors of the Company do not hold shares in MÁSMOVIL, except for Mr. Meinrad Spenger, who is the direct holder of the shares detailed in the table included in section 17.2.2, below the Registration Document, Mr. Javier Marín, holder of 11,779 shares of MÁSMOVIL and Mr. Jose Maria del Corro, holder of 156 shares of the Company.

17.2.2. Shares of MÁSMOVIL owned by directors

The following table shows the number of ordinary shares of the Company controlled by the Company's directors who hold shares (direct and indirect) at the date of registration of the Prospectus. The directors do not hold indirect shares of this Company:

:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Director	Direct shares	Indirect Shares	Capital %
Mr. Eduardo Diez-Hochleitner Rodríguez	42.021	0	0,21%
<sup>(1)</sup> Key Wolf, S.L.U.	1.292,895	0	6,48%
<sup>(2)</sup> Mr. Josep María Echarri Torres	50	539.426	2,70%
Mr. Meinrad Spenger	231.061	0	1,16%
Mrs. Cristina Aldámiz-Echevarría González de Durana	0	0	0,00%
Mr. Felipe Fernández Atela	0	0	0,00%
Mr. Borja Fernández Espejel	3.000	0	0,02%
Mr. Ángel Manuel García Altozano	100	0	0,00%
Mr. Antonio García Ortiz	0	0	0,00%
Mr. John C. Hahn	0	0	0,00%
Mr. Robert Sudo	0	0	0,00%
Mrs. Pilar Zulueta de Oya	0	0	0,00%
<b>Total</b>	<b>1.569,127</b>	<b>539.426</b>	<b>10,57%</b>

(1) Indirect shareholder through Key Wolf, S.L.U., controlled company under I art. 5 LMV

(2) Indirect shareholder through Inveready Capital Company, S.L., controlled company under art. 5 LMV

### **17.3. Description of any employee participation agreement in the Issuer's capital**

On June 23, 2016, the Ordinary General Shareholders' Meeting resolved to issue 500,000 convertible bonds into shares of the Company, with a par value of € 20.42 per bond, and consequently, for a total amount of € 10,210 thousand Euros in order to implement the Stock Option Plan of the management team and the Chief Executive Officer. At the present date, the conversion of these bonds into shares would represent 2.50% of the Company's share capital, with a fixed conversion ratio, entitling the subscription of an obligation to the subscription of a share. The conversion will be formalized, in any case, before May 30, 2018, provided that the terms and conditions provided for in the Options Plan are fulfilled by the beneficiaries. Said plan has the following characteristics:

- Description and object: Through the Stock Option Plan, the Company granted the beneficiaries, free of charge, a certain number of non-transferable Options, which will give them the right to acquire ownership of a common share of the Company through the acquisition and immediate and automatic conversion of a convertible bond into a share. In order to implement the Stock Option Plan, the Company agreed to issue 500,000

convertible bonds into shares of the Company for a total amount of 10,210 thousand Euros.

- Term: From its approval, until its termination, on May 30, 2018, when the options may be exercised.
- Beneficiaries: Chief Executive Officer (125,000 Options) and thirty-four (34) members of the MÁSMOVIL Group management team (directors and area managers) for a total of 375,000 options. Of these 375,000 options, 202,000 options have been granted to members of the Company's Senior Management. The remaining 173,000 options have been awarded to other members of MÁSMOVIL's management team.
- Number of options: 500,000 options, which would represent 2.5% of the Company's current share capital.
- Price of the exercise: 20.42 Euros per bond.
- Permanence of the beneficiaries in MÁSMOVIL Group: Without prejudice to the special conditions that the Board of Directors of MÁSMOVIL has established for the exercise of the options granted to the beneficiaries, it will be necessary for the beneficiary to have maintained an uninterrupted employment relationship, whether ordinary, special, senior management or commercial with the Group during the term of the Options Plan.

In order to cover this Plan, MÁSMOVIL has issued at the beginning of the Plan 500,000 convertible bonds with a nominal value of € 20.42 each, with a first instalment of € 2.00 per obligation. The Company recognized liabilities with a financial institution in the amount of 1 million Euros, having as counterpart a checking account not available for the same amount. Prior to the date of the second and final instalment of the bonds (€ 18.42), these will be transferred to the Company / beneficiaries through the purchase and sale options agreed between the Company and this financial entity, so that the beneficiaries are those who make the second instalment and, therefore, receive the shares of the Company at the time of the mandatory conversion of the convertible bonds into shares of MÁSMOVIL.

Additionally, on March 1, 2017, the General Meeting resolved to approve a Shares Appreciation Rights Plan in favour of the Chief Executive Officer, senior managers and executives of MÁSMOVIL, in order to cover the MÁSMOVIL Options Plan II. The plan began on March 1, 2017 and will last for a maximum of three (3) years and six (6) months. The aforementioned plan has the following characteristics:

- Description and object: The Plan consists of the granting of certain minimum rights that may result in extraordinary variable remuneration in cash linked to the increase in the value of the minimum number of shares of the Company during a certain period of time, taking as reference the value of quotation.
- Term: From its approval to a maximum term of three (3) years and six (6) months. "The period of time to be taken into account for the purposes of computing the increase in the value of the shares began on March 1, 2017 and will end when the term of three years and six months has expired ("Final Date of the Appreciation Calculation"). The liquidation and payment to each beneficiary of the resulting amounts will be carried out during the sixty (60) calendar days following the Final Date of the Appreciation Calculation ("Date of Subscription").
- Beneficiaries: The Chief Executive Officer of the Company and the members of the Group's management team proposed by the Chief Executive Officer to the Appointments and Remuneration Committee for approval by the Board of Directors. The current number of beneficiaries is thirty-five directors, including the Chief Executive Officer.
- Number of rights on the appreciation of the shares affected by the Plan: The number of rights to appreciate the shares to be allocated to all beneficiaries amounts to a maximum of 1,700,000 rights (570,000 rights for the CEO, 550,000 rights for senior managers, 385,000 rights for managers and 195,000 rights pending assignment. These 195,000 rights will be allocated within the first year from the entry into force of this Plan).
- Value of the shares to be taken as a reference: For the calculation of the variable remuneration in which the Plan consists, the weighted average price in the last ninety trading sessions prior to the date of grant to each beneficiary is taken as the initial unit value of the Company's shares (that is, 27.4767 Euros per share in the case of initial

allocations). As the final unit value, the weighted average price will be taken in the last ninety trading sessions prior to the final date of the appreciation calculation, thus generating a difference between the initial price assigned and the calculated final price. This difference multiplied by the number of rights will give rise to the extraordinary variable remuneration in cash to be received by the beneficiaries of this Plan.

- Consolidation of rights: The rights will be consolidated (the consolidation is linked to the permanence of the beneficiary of this Plan in the Company) according to the following schedule: (i) between the start date and the first year of effectiveness of the Plan, no rights will be consolidated (i.e. if the beneficiary of this Plan leaves the Company during the first year, he or she loses all rights assigned in this Plan); (ii) from the date of compliance with the first year of validity of the Plan until the final date of the appreciation calculation, 20% and 70% of the initially granted formal linear rights in the months elapsed during this period; (iii) after the end of the appreciation calculation date, and up to the date of payment, it will be understood that 100% of the rights granted are consolidated. However, in the event that MÁSMOVIL's total EBITDA growth between 2017 and 2019 is less than 10%, 30% of the rights granted to each beneficiary will be extinguished.
- Conditions for the settlement of the Plan: The beneficiaries will be entitled to the incentive, provided that (i) the EBITDA growth target between 2017 and 2019 is met, in accordance with the consolidated annual accounts of the Group, and (ii) certain minimum targets are met for 2017, which are established for each of the beneficiaries in their corresponding letter of invitation to the Plan. Likewise, it is a necessary condition to be entitled to the incentive payment that, if any, derives from the Plan, that the beneficiary maintains a labour relationship (common or special senior management) or business relationship, in the case of the CEO, with the Company, on the date of payment of the incentive, without prejudice to the cases of early liquidation that may be established.

## 18. MAJOR SHAREHOLDERS

### 18.1. To the extent known to the Issuer, the name of any person who does not belong to the administrative, management or supervisory bodies directly or indirectly having a declarable interest, according to the Issuer's national law, in the capital or the voting rights of the Issuer, as well as the amount of interest of each of these persons or, in the absence of such persons, the corresponding negative statement

The following is the identity of the persons or entities that directly or indirectly have a declarable interest in the Issuer's capital or voting rights (indicating in each case the last shareholder in the control line):

Shareholder	Direct shares	Indirect Shares	Capital %
<sup>(1)</sup> Providence Equity Partners Fund VII	0	3.591.565	18,00%
<sup>(2)</sup> Mrs. Carmen Ybarra Careaga	0	3.405.846	17,07%
<sup>(3)</sup> Indumenta Pueri, S.L.	0	2.021.838	10,13%
<sup>(4)</sup> Mr. José Eulalio Poza Sanz	0	1.292.895	6,48%
NS Servicios Especiales de Comunicación, S.L.	1.235.364	0	6,19%
<sup>(5)</sup> Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (CASER)	0	746.154	3,74%
<sup>(6)</sup> Mr. Luis Villar Azurmendi	0	716.740	3,59%
<b>Total</b>	<b>1.235.364</b>	<b>11.775,038</b>	<b>65,21%</b>

(1) Through two controlled companies; PLT VII MAS Sarl (3.271.565 shares) and PLT VII Holdco Sarl (320.000 shares). Providende Equity Partners LLC is the manager of this fund.

(2) Indirect shareholder through Onchena, S.L.U., controlled company under art. 5 LMV

(3) Indirect shareholder through Wilmington Capital, S.L., controlled company under art. 5 LMV

(4) Indirect shareholder through Key Wolf, S.L.U., controlled company under art. 5 LMV

(5) Indirect shareholder through Aldebarán Riesgo S.C.R. de Régimen., controlled company under art. 5 LMV

(6) Indirect shareholder through Norsis Creaciones, S.L.U., controlled company under art. 5 LMV

Providence Equity Partners ([www.provequity.com](http://www.provequity.com)) is an investment fund of American origin founded in 1989 and with a long history in the telecommunications sector. There is no controlling shareholder in Providence.

Providence Equity Partners LLC, the fund manager of Providence Equity Partners Fund VII, has delegated a set of discretionary fund management functions, which is common in the sector,

including voting rights, as the manager deems appropriate, in the different Governing Bodies where the fund is represented.

Onchena, S.L.U. is the investment company of the Ybarra Careaga family controlled by Mrs. Carmen Ybarra Careaga.

Wilmington Capital, S.L. is the investment company of the Dominguez family, through its company Indumenta Pueri, S.L. There is no control partner in Indumenta Pueri, S.L.

Key Wolf, S.L.U. is the investment company controlled by Mr. Jose Eulalio Poza Sanz.

NS Servicios Especiales de Comunicacion, S.L. is the former partner company of Neo Operador de Telecomunicaciones, S.L. Neo Operador de Telecomunicaciones was acquired by MÁSMOVIL in May 2015, as detailed in section 9.2.1 of this Prospectus. There is no controlling partner in NS Servicios Especiales de Comunicacion, S.L.

Aldebaran Riesgo S.C.R. de Regimen is the investment company of the CASER insurance group ([www.caser.es](http://www.caser.es)). There is no controlling shareholder in CASER.

Finally, Norsis Creaciones, S.L.U. is the investment company of Mr. Luis Villar, sole administrator of this company.

The shareholders Onchena, S.L.U., Wilmington Capital, S.L., NS Servicios Especiales de Comunicacion, S.L. and Norsis Creaciones, S.L.U. have no representation on the Board of Directors of MÁSMOVIL.

The Company complies with the provisions of article 9.7 of Royal Decree 1310/2005, since there is a sufficient distribution of its shares, and 29.1% of these shares are distributed among the public.

In case of total conversion into shares by MÁSMOVIL creditors holding convertible bonds (see Section II of this Prospectus regarding Risk Factors), and on the assumption that no significant shareholder of the Company or any of its Directors would buy or sell their shares, the new free-float (shares distributed among the public) would be established at 17.30% of the capital of MÁSMOVIL.

**18.2. If the primary shareholders of the Issuer have different voting rights, or the corresponding negative statement**

All shares representing the capital stock of MÁSMOVIL are ordinary shares represented by book entries of the same class and series and grant their holders the same political and economic rights. Each share gives the right to one vote, and there are no privileged shares.

**18.3. To the extent that the Issuer is aware of it, declare whether the Issuer is directly or indirectly owned or controlled by whomsoever exercised, and describe the nature of such control and the measures taken to ensure that such control is not abused**

The Company is aware of the signing of a single shareholders' agreement on October 26, 2016 by Onchena, S.L.U., Key Wolf, S.L.U., Norsis Creaciones, S.L.U., Inveready Seed Capital, SCR, S.A., Mr. Jose Manuel Alsedo Solis, Asesoramiento y Planeamiento, S.L. and Inveready Capital Company, S.L. (who directly and indirectly controls 8.6% of the capital of Inveready Seed Capital, SCR, S.A. Mr. Josep Maria Echarri is the Managing Director of both companies and controlling shareholder of Inveready Capital Company, S.L.), which has as its purpose the syndication of its shares in the Company, in order to cast its vote at the General Meetings of the

Company, for the agreements specified in the aforementioned pact. The aforementioned pact shall remain in force for as long as the parties hold shares in the Company.

The aforementioned shareholder agreement was promoted by Inveready Capital Company, S.L., Key Wolf, S.L.U. and Norsis Creaciones, S.L.U., who were already shareholders of the Company, on the occasion of the participation in the MÁSMOVIL capital increase of July 2016 of the other signatories of said agreement. Through the syndication pact, the parties seek to establish a common position in decision-making, in the interest of society and the protection of their investment. In this regard, the parties decided that Inveready Capital Company, S.L., for its profile of professional investor and its greater knowledge of the Company and market, shall indicate to the other parties the direction of their vote. However, Inveready Capital Company, S.L. (or in failing that, Key Wolf, S.L.U.) cannot impose the meaning of the vote in case of disagreement with the other members of the pact. In summary, the operation of the syndication pact would be the following:

- (i) In principle, the members of the pact must vote in the direction communicated to them by Inveready Capital Company, S.L. If that company could not vote or did not cast the vote, the other parties would vote in the direction communicated by Key Wolf, S.L.U.
- (ii) However, shareholders who have signed the aforementioned pact undoubtedly have a right of opposition, and are not obliged to vote in the direction communicated. In case of discrepancy, all parties must meet and try to establish a common position. If such consensus is not achieved, they shall have the right to vote.

These shareholders controlled, directly or indirectly, 31.3% (6.25 million shares) of the capital stock of MÁSMOVIL on the date of signing the contract. At the date of issue of this Prospectus, these same signatories control, directly or indirectly, 31.4% (6.27 million shares) of the capital stock of MÁSMOVIL.

For all the foregoing, it should be noted that, not having received any protest against by the signatories of the pact, the Company interprets that there is no concerted action in said agreement.

Shareholder	Number of shares w/o contract 26 Oct 2016	Capital %	Number of shares w/o Prospectus release date	Capital %	Difference (shares)
Mrs. Carmen Ibarra Careaga (*)	3.405.846	17,07%	3.405.846	17,07%	0
Mr. José Eulalio Poza Sanz (**)	1.333.197	6,68%	1.292.895	6,48%	-40.302
Mr. Luis Villar Azurmendi (***)	727.219	3,65%	716,740	3,59%	-10,479
Inveready Seed Capital, SCR, SA and Inveready Capital Company	538.364	2,70%	539.476	2,70%	1.112
Mr. Jose Manuel Alsedo Solís	141.325	0,71%	155.600	0,78%	14.275
Asesoramiento y Planeamiento, S.L.	100.000	0,50%	160.000	0,80%	60.000
<b>Total</b>	<b>6.245.951</b>	<b>31,31%</b>	<b>6.270,557</b>	<b>31,43%</b>	<b>24,606</b>

(\*) Indirect shareholder through Onchena, S.L.U., controlled company under art. 5 LMV

(\*\*) Indirect shareholder through Key Wolf, S.L.U., controlled company under art. 5 LMV

(\*\*\*) Indirect shareholder through Norsis Creaciones, S.L.U., controlled company under art. 5 LMV

#### **18.4. Description of any agreement known to the Issuer whose application may at a later date lead to a change in the control of the Issuer**

The Company is not aware of the existence of any agreement whose application may at a later date lead to a change in the control of MÁSMOVIL.

## 19. RELATED PARTY TRANSACTIONS

The conditions of transactions with related parties, as defined in Order EHA/3050/2004, of September 15, which are required by the aforementioned Order to inform companies issuing securities admitted to trading on secondary official markets, are equivalent to those given in transactions made under market conditions.

The transactions carried out with related parties by MÁSMOVIL at December 31, 2014, 2015, 2016 and March 31, 2017 are as follows. At the same time, it is stated that at the date of this Prospectus no new transactions with related parties have taken place.

All operations listed in this section 19 have been carried out under market conditions and are common within the activity of MÁSMOVIL.

### 19.1. Transactions with significant shareholders

The financial assets and liabilities held by the Group with the significant shareholders in the period 2016, 2015, 2014 and March 31, 2017 are as follows:

Balances with related parties (Thousand euros)	31/03/2017	31/12/2016	31/12/2015	31/12/2014
	Significant shareholders	Significant shareholders	Significant shareholders	Significant shareholders
<b>Liabilities</b>				
Obligations and other negotiable securities	104.787	101.695	0	0
Total non-current liabilities	104.787	101.695	0	0
<b>Total non current liabilities</b>	<b>104.787</b>	<b>101.695</b>	<b>0</b>	<b>0</b>
<b>Other equity instruments</b>	<b>66.253</b>	<b>66.253</b>	<b>0</b>	<b>0</b>

The main linked balances relate to a convertible loan of Providence for 165 million Euros signed during that year whose purpose was the financing of the purchase and sale of Pepephone and Yoigo. This amount is classified as follows:

- Bonds and other negotiable securities under the heading of non-current liabilities: 98,747 thousand Euros of loan at amortized cost with financial expenses capitalized during the year (accrued and unpaid) amounting to 2,948 thousand Euros at December 31, 2016. These liabilities, together with capitalized financial expenses, amounted to a total of 104,787 thousand Euros at March 31, 2017.
- Other equity instruments amounting to 66,253 thousand Euros at December 31, 2016 and March 31, 2017, associated with the fact that the issue includes an option for the issuer of conversion into newly issued shares of MÁSMOVIL itself.

The main transactions with shareholders as of March 31, 2017 are related to financial expenses amounting to € 3,092 thousand, mainly associated with the convertible loan of Providence. With regard to 2016, the main transactions totalling 5,838 thousand Euros relate to:

- The financial expense associated with the convertible loan of Providence (2,948 thousand Euros);
- Two (2) bridge loans cancelled prior to the closing of December 31, 2016 formalized by respective amounts of 45 million Euros with Onchena, S.L. (expenses of 2,496 thousand Euros) and 15 million Euros with Wilmington Capital, S.L. (expenses of 394 thousand Euros).

Finally, in the years 2014-2015 there would be no significant transactions with shareholders.

**19.2. Operations carried out by the members of the Board of Directors, who in turn are the senior management of MÁSMOVIL**

The only transactions carried out by the members of the Board of Directors who are the top management of the Company are the collection of the remunerations that are detailed in section 15.1.2 of this Registration Document.

During the three-month period ended March 31, 2017, the directors of the Company received a remuneration of 138 thousand Euros for the performance of said position. At December 31, 2016, 2015 and 2014, the directors of the Company received remuneration of € 185 thousand, € 59 thousand and € 0 thousand in each of the years and for the performance of said position.

During the three-month period ended March 31, 2017, the Company's Chief Executive Officer received a gross remuneration of 90 thousand Euros for the performance of that position. At December 31, 2016 and 2015, the Company's Chief Executive Officer received a remuneration of € 472 thousand and € 218 thousand in each of the years for the performance of said position.

With regard to senior management, at December 31, 2016, 2015 and 2014, they received amounts of 1,538 thousand Euros (in the form of short-term remuneration), 623 thousand Euros and 363 thousand Euros respectively for the performance of their positions. This amount amounted to € 504 thousand in the three-month period ended March 31, 2017.

As of March 31, 2017, and December 31, 2016, 2015 and 2014, the administrators had not granted advances or credits, or assumed them as collateral, or paid civil liability insurance premiums for damages caused by acts or omissions in the exercise of the position. In addition, the Company had no obligations in respect of pensions and life insurance in respect of managers and senior management personnel, nor did it have any obligations assumed on its account as collateral.

As indicated in item 17.2 above, the Group's Chief Executive Officer, Mr. Meinrad Spenger, is the beneficiary of an Option Plan on Shares agreed on June 23, 2016.

Likewise, and as specified in item 17.2 above, Mr. Meinrad Spenger is also the beneficiary of a Rights Plan for the Appreciation of Shares of the Company approved by the General Meeting on March 1, 2017.

With the exceptions indicated above, during the period covered by the historical financial information of this Registration Document, no member of the Board of Directors, any other member of the senior management of the Company, any of their immediate family members (in the sense indicated in Order EHA/3050/2004 of September 15, 2004 relating to information on related transactions), nor any company controlled or exercised by such persons, has engaged in unusual or material transactions with the Company, in addition to the remuneration earned by the members of the Board of Directors and by the senior executives, whose expense is explained in detail in section 15 of this Registration Document.

**19.3. Transactions carried out between individuals, companies or group entities**

The significant items in the period 2014-2016 of balances with other related parties are:

- Other financial assets: credit granted from MÁSMOVIL Group to Upptalk in the amount of 1,637 thousand Euros at December 31, 2016. Upptalk is considered a related entity because its capital is distributed among the following shareholders: Inveready Seed Capital SCR, S.A. (51%) and MÁSMOVIL Ibercom (49%).
- There would be no more significant balances in the rest of the period considered.

For its part, there are no significant transactions in the period 2014-2016 with related parties.

## **20. FINANCIAL INFORMATION RELATING TO THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND LOSSES AND BENEFITS**

### **20.1. Historical financial information**

#### Basis of presentation and accounting principles

The historical financial information included in this item refers to the consolidated annual accounts for the year ended December 31, 2016 and the consolidated financial statements for the years ended December 31, 2015 and 2014, prepared in accordance with set forth in IFRS and the interim consolidated financial statements as of March 31, 2017, prepared in accordance with International Accounting Standard 34 (IAS 34) and included as Appendices 1 and 2 to this Prospectus.

KPMG Auditores has audited the consolidated financial statements for the year 2016 and the consolidated financial statements for the years 2015 and 2014. The Company's interim financial statements for the three-month period ended March 31, 2017 have been subject to limited review by KPMG Auditores.

The consolidated annual accounts have been drawn up on the basis of the accounting records of the Company and the entities included in the Group. The consolidated financial statements for the year 2016 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRS), in order to show the true and fair view of the consolidated equity and consolidated financial position of the MÁSMOVIL Group as of December 31, 2016 and the consolidated financial performance, consolidated cash flows and changes in consolidated equity for the year then ended.

The Group adopted the EU-IFRS as of January 1, 2014 and applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" on that date. The consolidated financial statements for the years 2015 and 2014 prepared under EU-IFRS detail the differences in the application of the EU-IFRS in consolidated equity on January 1, 2015 and December 31, 2015 and in the 2015 consolidated results of the Group.

#### Consolidated balance sheets

The consolidated balance sheets on December 31, 2016, 2015 and 2014 are as follows:

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Balance Sheet (In thousand euros)	31/12/2016	31/12/2015	31/12/2014	Var. 15-16%	Var. 14-15%
<b>NON CURRENT ASSETS</b>	<b>1.425.488</b>	<b>234.241</b>	<b>84.853</b>	<b>508,56%</b>	<b>176,06%</b>
Intangible assets	737.259	121.984	68.104	504,39%	79,11%
Tangible Fixed Assets	403.948	96.082	3.906	320,42%	2359,86%
Other investments	16.982	2.942	2.219	477,23%	32,58%
Long-terms accruals	31.498	0	0	-	-
Deferred tax assets	235.801	13.233	10.624	1681,92%	24,56%
<b>CURRENT ASSISTS</b>	<b>437.337</b>	<b>156.661</b>	<b>41.696</b>	<b>179,16%</b>	<b>275,72%</b>
Non-working capital assets kept for sale transactions	401	401	400	0,00%	0,25%
Stock	1.193	142	128	740,14%	10,94%
Trade and other accounts receivable	187.794	120.233	29.094	56,19%	313,26%
Current Tax assets	3.829	611	293	526,68%	108,53%
Other investments	5.543	4.027	2.712	37,65%	48,49%
Short-term accruals	2.498	749	267	233,51%	180,52%
Cash and other equivalent liquid assets	236.079	30.498	8.802	674,08%	246,49%
<b>TOTAL ASSETS</b>	<b>1.862.825</b>	<b>390.902</b>	<b>126.549</b>	<b>376,55%</b>	<b>208,89%</b>
<b>Equity</b>	<b>255.605</b>	<b>89.025</b>	<b>65.273</b>	<b>187,12%</b>	<b>36,39%</b>
Capital	1.995	1.177	1.051	69,50%	11,99%
Share Premium	246.652	87.470	66.470	181,98%	31,59%
Accumulated earnings and other reserves	-62.645	-1.881	-918	3230,41%	104,90%
Treasury Shares	-375	-1.241	-1.326	-69,78%	-6,41%
Other instruments related to net equity	70.022	3.510	0	1894,93%	-
Currency translation differences	-44	-10	-4	340,00%	150,00%
<b>NON CURRENT LIABILITIES</b>	<b>931.615</b>	<b>135.713</b>	<b>16.645</b>	<b>586,46%</b>	<b>715,34%</b>
Debts with credit entities	434.125	2.003	2.471	21573,74%	-18,94%
Financial derivative instruments	27.727	0	0	-	-
Other debts	5.756	5.522	6.910	4,24%	-20,09%
Debt under finance leases	34.350	243	288	14035,80%	-15,63%
Other financial liabilities	181.998	52.128	5.648	249,14%	822,95%
Trade creditors and other accounts payable	0	0	91	-	-100,00%
Provisions	101.181	130	130	77731,54%	0,00%
Official grants	11.798	2.218	461	431,92%	381,13%
Deferred-tax liabilities	59.391	4.885	646	1115,78%	656,19%
Other non-current liabilities	75.289	68.584	0	9,78%	-
<b>CURRENT LIABILITIES</b>	<b>675.605</b>	<b>166.164</b>	<b>44.631</b>	<b>306,59%</b>	<b>272,31%</b>
Debts with credit entities	35.939	10.797	4.040	232,86%	167,25%
Financial derivative instruments	72.741	0	0	-	-
Other debts	939	1.244	743	-24,52%	67,43%
Debt under finance leases	6.782	102	134	6549,02%	-23,88%
Other financial liabilities	136.159	111.521	3.324	22,09%	3255,02%
Trade creditors and other accounts payable	383.803	41.738	34.503	819,55%	20,97%
Current tax liabilities	0	0	513	-	-100,00%
Provisions	39.242	762	1.374	5049,87%	-44,54%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1.862.825</b>	<b>390.902</b>	<b>126.549</b>	<b>376,55%</b>	<b>208,89%</b>

#### 20.1.1.1. Active

The composition of the assets of the consolidated balance sheets of the Issuer is as follows:

##### Intangible assets

The composition and movement in the accounts comprising Intangible Assets have been as follows:

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Intangible assets (In thousand euros)	Goodwill	Software	Patents, trademarks and licenses	Development	Other intangible assets	Advances	Rights of use	Total
<b>Cost</b>								
<b>Balance at 1 January 2015</b>	<b>53.065</b>	<b>6.179</b>	<b>244</b>	<b>9.302</b>	<b>7.612</b>	<b>47</b>	<b>0</b>	<b>76.449</b>
Business combinations	25.192	0	0	0	8.776	0	0	33.968
Additions	0	1.054	716	2.258	3.764	0	20.215	28.007
Disposals	0	0	0	0	0	-22	0	-22
Transfers	0	2.351	0	-2.708	0	357	0	0
<b>Balance at 31 December 2015</b>	<b>78.257</b>	<b>9.584</b>	<b>960</b>	<b>8.852</b>	<b>20.152</b>	<b>382</b>	<b>20.215</b>	<b>138.402</b>
Business combinations	299.149	14.845	186.641	0	109.989	0	0	610.624
Additions	0	8.020	0	3.178	15.857	0	0	27.055
Disposals	0	-1.215	0	0	-35	0	0	-1.250
Transfers	0	1.380	-535	5.022	-3.695	0	0	2.172
<b>Balance at 31 December 2016</b>	<b>377.406</b>	<b>32.614</b>	<b>187.066</b>	<b>17.052</b>	<b>142.268</b>	<b>382</b>	<b>20.215</b>	<b>777.003</b>
<b>Amortisation and impairment losses</b>								
<b>Balance at 1 January 2015</b>	<b>0</b>	<b>-2.364</b>	<b>-69</b>	<b>-3.760</b>	<b>-2.152</b>	<b>0</b>	<b>0</b>	<b>-8.345</b>
Amortisation of the exercise	0	-1.355	-53	-1.290	-5.330	0	-63	-8.091
Transfers	0	18	0	0	0	0	0	18
<b>Balance at 31 December 2015</b>	<b>0</b>	<b>-3.701</b>	<b>-122</b>	<b>-5.050</b>	<b>-7.482</b>	<b>0</b>	<b>-63</b>	<b>-16.418</b>
Amortisation of the exercise	0	-3.559	-4.092	-2.055	-9.395	0	-2.571	-21.672
Disposals	0	393	0	0	0	0	0	393
Transfers	0	-1.524	-150	28	-22	0	0	-1.668
<b>Balance at 31 December 2016</b>	<b>0</b>	<b>-8.391</b>	<b>-4.364</b>	<b>-7.077</b>	<b>-16.899</b>	<b>0</b>	<b>-2.634</b>	<b>-39.365</b>
Impairment	0	0	0	-379	0	0	0	-379
<b>Value impairment at 31 December 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-379</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-379</b>
<b>Book value</b>								
<b>At 1 January 2015</b>	<b>53.065</b>	<b>3.815</b>	<b>175</b>	<b>5.542</b>	<b>5.460</b>	<b>47</b>	<b>0</b>	<b>68.104</b>
<b>At 31 December 2015</b>	<b>78.257</b>	<b>5.883</b>	<b>838</b>	<b>3.802</b>	<b>12.670</b>	<b>382</b>	<b>20.152</b>	<b>121.984</b>
<b>At 1 January 2016</b>	<b>78.257</b>	<b>5.883</b>	<b>838</b>	<b>3.802</b>	<b>12.670</b>	<b>382</b>	<b>20.152</b>	<b>121.984</b>
<b>At 31 December 2016</b>	<b>377.406</b>	<b>24.223</b>	<b>182.702</b>	<b>9.596</b>	<b>125.369</b>	<b>382</b>	<b>17.581</b>	<b>737.259</b>

Intangible assets (In thousand euros)	Goodwill	Software	Patents, trademarks and licenses	Development	Other intangible assets	Advances	Rights of use	Total
<b>Cost</b>								
<b>Balance at 1 January 2014</b>	<b>1.176</b>	<b>1.948</b>	<b>39</b>	<b>5.635</b>	<b>382</b>	<b>25</b>	<b>0</b>	<b>9.205</b>
Business combinations	51.944	3.502	201	2.074	6.235	22	0	63.978
Additions	0	704	4	2.049	995	0	0	3.752
Disposals	-55	-14	0	-456	0	0	0	-525
Transfers	0	39	0	0	0	0	0	39
<b>Balance at 31 December 2014</b>	<b>53.065</b>	<b>6.179</b>	<b>244</b>	<b>9.302</b>	<b>7.612</b>	<b>47</b>	<b>0</b>	<b>76.449</b>
Business combinations	25.192	0	0	0	8.776	0	0	33.968
Additions	0	1.054	716	2.258	3.764	0	20.215	28.007
Disposals	0	0	0	0	0	-22	0	-22
Transfers	0	2.351	0	-2.708	0	357	0	0
<b>Balance at 31 December 2015</b>	<b>78.257</b>	<b>9.584</b>	<b>960</b>	<b>8.852</b>	<b>20.152</b>	<b>382</b>	<b>20.215</b>	<b>138.402</b>
<b>Amortisation and impairment losses</b>								
<b>Balance at 1 January 2014</b>	<b>0</b>	<b>-1.526</b>	<b>-35</b>	<b>-3.214</b>	<b>-382</b>	<b>0</b>	<b>0</b>	<b>-5.157</b>
Disposals	0	9	0	0	0	0	0	9
Amortisation of the exercise	0	-847	-34	-546	-1.770	0	0	-3.197
<b>Balance at 31 December 2014</b>	<b>0</b>	<b>-2.364</b>	<b>-69</b>	<b>-3.760</b>	<b>-2.152</b>	<b>0</b>	<b>0</b>	<b>-8.345</b>
Amortisation of the exercise	0	-1.355	-53	-1.290	-5.330	0	-63	-8.091
Transfers	0	18	0	0	0	0	0	18
<b>Balance at 31 December 2015</b>	<b>0</b>	<b>-3.701</b>	<b>-122</b>	<b>-5.050</b>	<b>-7.482</b>	<b>0</b>	<b>-63</b>	<b>-16.418</b>
<b>Book value</b>								
<b>At 1 January 2014</b>	<b>1.176</b>	<b>422</b>	<b>4</b>	<b>2.421</b>	<b>0</b>	<b>25</b>	<b>0</b>	<b>4.048</b>
<b>At 31 December 2014</b>	<b>53.065</b>	<b>3.815</b>	<b>175</b>	<b>5.542</b>	<b>5.460</b>	<b>47</b>	<b>0</b>	<b>68.104</b>
<b>At 1 January 2015</b>	<b>53.065</b>	<b>3.815</b>	<b>175</b>	<b>5.542</b>	<b>5.460</b>	<b>47</b>	<b>0</b>	<b>68.104</b>
<b>At 31 December 2015</b>	<b>78.257</b>	<b>5.883</b>	<b>838</b>	<b>3.802</b>	<b>12.670</b>	<b>382</b>	<b>20.152</b>	<b>121.984</b>

### Goodwill

The amount of goodwill arising on the 2016 business combinations for a total amount of 299,149 thousand Euros has been allocated to all the cash generating units in which the Group's assets are grouped because all of them are will benefit from the synergies obtained with the new acquisitions. Goodwill arising prior to 2016, is charged to the CGUs of MÁSMOVIL

Telecom 3.0, S.A.U. and UGE XTRA Telecom, S.A.U. for amounts of 37,744 thousand Euros and 40,713 thousand Euros, respectively.

For goodwill arising on business combinations for the 2016 financial year, given the very short period of time elapsed between the acquisition date and the closing date, the Group has considered that the best estimate of its recoverable value is the fair value at the date of acquisition.

The recoverable amount of the UGE MÁSMOVIL Telecom 3.0, S.A.U. and UGE XTRA Telecom, S.A.U., was determined based on calculations of the value in use. For these calculations, cash flow projections are used based on the financial budgets approved by the managers that cover a period of five (5) years. Projections beyond the indicated period are extrapolated using growth rates applicable to the industry in which the Group operates.

#### *Computer applications*

The increases in computer applications in 2016 and 2015 correspond mainly to investments in acquisitions and developments of IT solutions necessary for the activity of telecommunications operator. In 2016, investments were made in the applications and corporate projects and projects of integration systems with Yoigo and Pepephone.

#### *Patents, trademarks and licenses*

Includes the appreciation of the "Yoigo" and "Pepephone" brands for amounts of 88,644 thousand Euros and 8,594 thousand Euros respectively, according to the appreciation made by independent experts.

Given the short period of time since the date of acquisition of these brands up to the closing date, the Group has considered that the best estimate of its recoverable value is the fair value at the acquisition date. Likewise, in subsequent years, the recoverable value of these brands will be determined by their value in use.

The licenses include the fair value of the licenses obtained in the 1,800 MHz and 2,100 MHz bands for the provision of mobile telephony services. These concessions will terminate in the years 2030 and 2020, respectively, although the 2,100 MHz license may be extended once for a further ten (10) years until 2030.

#### *Development*

This heading basically includes the expenses of software projects related to the telephony business from which future income is expected.

#### *Other intangible assets*

Other intangible assets include the appreciation that has been made on the portfolio of clients received in the business combinations in the amount of 123,692 thousand Euros (13,739 thousand Euros on December 31, 2015). This appreciation has been made through estimates of the flows generated by these clients.

The acquisition date marks the beginning of the amortization of the portfolio. Accumulated amortization on December 31, 2016 is 12,590 thousand Euros (4,941 thousand Euros on December 31, 2015).

As of December 31, 2016, increases in incremental and specific costs related to customer contracts amounted to 9,993 thousand Euros (2,647 thousand Euros on December 31, 2015).

#### *Usage rights*

Usage rights include the indirect right of use on the copper network of Telefonica de Espana S.A., derived from the framework contract signed on July 31, 2015 and whose purchase price was 29,000 thousand Euros (VAT not included).

The Group recognized this asset at acquisition cost, which is equivalent to the fair value of the consideration received, which has been calculated as the present value of the future cash flows discounted at a market rate (approximately 6.5%), the amount of which totalled 20,215 thousand Euros.

On the other hand, the debt recognized under this concept amounts to €20.9 million in the non-current tranche and €2.4 million in the current tranche on December 31, 2016, and is broken down into: i) 20.2 million Euros of amortized cost; (ii) €1.6 million of accrued interest between 2015 and 2016 and; (iii) 1.5 million Euros associated to a tax deduction for VAT derived from the purchase price, deductible in the period 2016-2019.

### Immobilized material

The composition and movement in the accounts comprising the Tangible Fixed Assets have been as follows:

Tangible fixed assets (In thousand euros)	Terrenos	Constructions	Technical facilities and machinery	Other facilities, tools and furniture	Other fixed assets	Optical fiber network	In-progress fixed assets and advances	Total
<b>Cost</b>								
<b>Balance at 1 January 2015</b>	<b>284</b>	<b>583</b>	<b>9.389</b>	<b>2.746</b>	<b>2.350</b>	<b>0</b>	<b>0</b>	<b>15.352</b>
Business combinations	0	0	2.071	58	46	0	0	2.175
Additions	0	4	2.527	813	633	89.186	101	93.264
Disposals	0	0	-8	0	0	0	0	-8
Transfers	0	2.148	-3.094	0	0	0	0	-946
<b>Balance at 31 December 2015</b>	<b>284</b>	<b>2.735</b>	<b>10.885</b>	<b>3.617</b>	<b>3.029</b>	<b>89.186</b>	<b>101</b>	<b>109.837</b>
Business combinations	0	0	252.546	0	5.165	0	9.581	267.292
Additions	0	0	13.219	462	855	18.898	28.852	62.286
Disposals	0	0	-2.509	0	-1.806	-90	-1.372	-5.777
Transfers	0	-2.010	12.994	0	2.054	6.511	-10.746	8.803
<b>Balance at 31 December 2016</b>	<b>284</b>	<b>725</b>	<b>287.135</b>	<b>4.079</b>	<b>9.297</b>	<b>114.505</b>	<b>26.416</b>	<b>442.441</b>
<b>Amortisation and impairment losses</b>								
<b>Balance at 1 January 2015</b>	<b>0</b>	<b>-185</b>	<b>-6.714</b>	<b>-2.431</b>	<b>-2.082</b>	<b>0</b>	<b>0</b>	<b>-11.412</b>
Amortisation of the exercise	0	-18	-1.316	-102	-241	-614	0	-2.291
Transfers	0	0	0	0	-18	0	0	-18
<b>Balance at 31 December 2015</b>	<b>0</b>	<b>-203</b>	<b>-8.030</b>	<b>-2.533</b>	<b>-2.341</b>	<b>-614</b>	<b>0</b>	<b>-13.721</b>
Amortisation of the exercise	0	-16	-15.520	-72	-550	-3.374	0	-19.532
Disposals	0	0	2.296	0	1.805	0	0	4.101
Transfers	0	-183	-8.954	0	-170	0	0	-9.307
<b>Balance at 31 December 2016</b>	<b>0</b>	<b>-402</b>	<b>-30.208</b>	<b>-2.605</b>	<b>-1.256</b>	<b>-3.988</b>	<b>0</b>	<b>-38.459</b>
<b>Value impairment at 1 January 2015</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Value impairment at 31 December 2015</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Value impairment at 31 December 2016</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Book value</b>								
<b>At 1 January 2015</b>	<b>284</b>	<b>398</b>	<b>2.641</b>	<b>315</b>	<b>268</b>	<b>0</b>	<b>0</b>	<b>3.906</b>
<b>At 31 December 2015</b>	<b>284</b>	<b>2.532</b>	<b>2.821</b>	<b>1.084</b>	<b>688</b>	<b>88.572</b>	<b>101</b>	<b>96.082</b>
<b>At 1 January 2016</b>	<b>284</b>	<b>2.532</b>	<b>2.821</b>	<b>1.084</b>	<b>688</b>	<b>88.572</b>	<b>101</b>	<b>96.082</b>
<b>At 31 December 2016</b>	<b>284</b>	<b>323</b>	<b>256.893</b>	<b>1.474</b>	<b>8.041</b>	<b>110.517</b>	<b>26.416</b>	<b>403.948</b>

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Tangible fixed assets (In thousand euros)	Terrenos	Constructions	Technical facilities and machinery	Other facilities, tools and furniture	Other fixed assets	Optical fiber network	In-progress fixed assets and advances	Total
<b>Cost</b>								
<b>Balance at 1 January 2014</b>	<b>284</b>	<b>1.248</b>	<b>6.506</b>	<b>2.770</b>	<b>2.518</b>	<b>0</b>	<b>0</b>	<b>13.326</b>
Business combinations	0	0	2.124	30	35	0	0	2.189
Additions	0	0	767	62	146	0	0	975
Disposals	0	-665	-12	-116	-349	0	0	-1.142
Currency translation differences	0	0	4	0	0	0	0	4
<b>Balance at 31 December 2014</b>	<b>284</b>	<b>583</b>	<b>9.389</b>	<b>2.746</b>	<b>2.350</b>	<b>0</b>	<b>0</b>	<b>15.352</b>
Business combinations	0	0	2.071	58	46	0	0	2.175
Additions	0	4	2.527	813	633	89.186	101	93.264
Disposals	0	0	-8	0	0	0	0	-8
Transfers	0	2.148	-3.094	0	0	0	0	-946
<b>Balance at 31 December 2015</b>	<b>284</b>	<b>2.735</b>	<b>10.885</b>	<b>3.617</b>	<b>3.029</b>	<b>89.186</b>	<b>101</b>	<b>109.837</b>
<b>Amortisation and impairment losses</b>								
<b>Balance at 1 January 2014</b>	<b>0</b>	<b>-184</b>	<b>-6.387</b>	<b>-2.523</b>	<b>-1.994</b>	<b>0</b>	<b>0</b>	<b>-11.088</b>
Amortisation of the exercise	0	-19	-338	-50	-301	0	0	-708
Disposals	0	18	10	142	213	0	0	383
Currency translation differences	0	0	1	0	0	0	0	1
<b>Balance at 31 December 2014</b>	<b>0</b>	<b>-185</b>	<b>-6.714</b>	<b>-2.431</b>	<b>-2.082</b>	<b>0</b>	<b>0</b>	<b>-11.412</b>
Amortisation of the exercise	0	-18	-1.316	-102	-241	-614	0	-2.291
Transfers	0	0	0	0	-18	0	0	-18
<b>Balance at 31 December 2015</b>	<b>0</b>	<b>-203</b>	<b>-8.030</b>	<b>-2.533</b>	<b>-2.341</b>	<b>-614</b>	<b>0</b>	<b>-13.721</b>
<b>Value impairment at 1 January 2014</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Value impairment at 31 December 2014</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Value impairment at 31 December 2015</b>	<b>0</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-34</b>
<b>Book value</b>								
<b>At 1 January 2014</b>	<b>284</b>	<b>1.064</b>	<b>85</b>	<b>247</b>	<b>524</b>	<b>0</b>	<b>0</b>	<b>2.204</b>
<b>At 31 December 2014</b>	<b>284</b>	<b>398</b>	<b>2.641</b>	<b>315</b>	<b>268</b>	<b>0</b>	<b>0</b>	<b>3.906</b>
<b>At 1 January 2015</b>	<b>284</b>	<b>398</b>	<b>2.641</b>	<b>315</b>	<b>268</b>	<b>0</b>	<b>0</b>	<b>3.906</b>
<b>At 31 December 2015</b>	<b>284</b>	<b>2.532</b>	<b>2.821</b>	<b>1.084</b>	<b>688</b>	<b>88.572</b>	<b>101</b>	<b>96.082</b>

The elements of technical installations and machinery from the business combinations correspond mainly to the mobile telephone network (composed of 16% infrastructure and 84% telecommunications equipment) of Yoigo.

The main figures for the years ended December 31, 2016 and 2015 correspond to:

- Under the heading Technical installations and machinery, corresponds to the deployment and optimization of the mobile telephone network, which includes the extension of the coverage with 4G technology.
- Fixed assets in progress and advances, correspond to the work related to the network deployment carried out in MÁSMOVIL Broadband, S.A. As well as to the progress of work of the assets in the mobile telephone network in Yoigo. The tangible fixed assets in progress will be transferred to technical installations in operation as progress is made in the construction of the network and its effective delivery takes place.

As of December 31, 2016, and 2015, no interest has been capitalized.

#### *Fibre optic network*

On December 31, 2016 and 2015, the fibre optic network includes the acquisition cost of the elements that make up the fibre optic network acquired from Jazz Telecom S.A.U. by the subsidiary, MÁSMOVIL Broadband, S.A. plus capitalized expenses for the start-up of the network, based on the purchase agreement entered into in fiscal year 2008 amounting to 89,000 thousand Euros, VAT not included. The total amount recorded in other financial liabilities on December 31, 2015 amounted to 107,690 thousand Euros, including VAT, which was paid in January 2016.

The fibre optic network consists of 90% of external plant and 10% of internal plant.

### Other investments

The detail of other investments on December 31, 2016, 2015 and 2014 is as follows:

Other investments (In thousand euros)	31/12/2016	31/12/2015	31/12/2014
Equity instruments	2.172	1.705	1.319
Deposits and guarantees	1.958	911	587
Other financial assets	12.852	326	313
<b>Non current</b>	<b>16.982</b>	<b>2.942</b>	<b>2.219</b>
Equity instruments	19	0	0
Credits to related parties	4.300	1.422	351
Deposits and guarantees	828	430	492
Other financial assets	396	2.175	1.869
<b>Current</b>	<b>5.543</b>	<b>4.027</b>	<b>2.712</b>

Other non-current financial assets on December 31, 2016 amounting to € 12,852 thousand relate mainly to:

- An option on 100% of the shares of Neutra Network Services, S.L.U (hereinafter "**Neutra**") for the amount of 4,000 thousand Euros held by the subsidiary Xfera Moviles, S.A.U. In order for the transaction to materialize, approval must be obtained from the Ministry of Industry, Energy and Digital Agenda for the transfer to the Group of the rights over Neutra's 2.6 and 3.5 GHz radio concessions, which belong to the company's sole shareholder. At the present date, the Ministry has not communicated its resolution. In case of approval, the Company will have to pay 1,000 thousand Euros to close the operation, whereas if the approval were not obtained, the Group would have the right to reimbursement of the 4 million Euros disbursed, plus compensation.
- The long-term financing quotas for the acquisition of telephone terminals provided to customers by the Group amounting to 5,638 thousand Euros. This financing takes place in twenty-four (24) month terms and is totally independent from financing by financial institutions directly to clients.
- Compensation asset in the amount of 2,856 thousand Euros related to the tax contingency recorded in the provision heading for the same amount and arising from the business combination of Neo Telecom Operator, S.L.U., since the former shareholders of Neo Telecommunication Operator, S.L.U. assume responsibility for them.

### Long-term accruals

On December 31, 2016, long-term accruals amounting to 31,498 thousand Euros correspond to payments made for the works carried out by the Group to install telecommunications equipment in infrastructure owned by another operator and for rental of transmission lines.

### Deferred tax assets

The breakdown of deferred tax assets on December 31, 2016, 2015 and 2014 is as follows:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Deferred tax assets (In thousand euros)	31/12/2016	31/12/2015	31/12/2014
Intangible assets	404	0	0
Tangible assets	134	0	117
Goodwill	0	0	0
Provisions	47.658	0	0
Credits for loss carry forwards	186.266	9.352	8.930
Receivables from tax rebates	849	1.255	854
Impairments	30	0	0
Others	460	2.626	723
<b>Deferred tax assets</b>	<b>235.801</b>	<b>13.233</b>	<b>10.624</b>

The evolution of the balance of deferred tax assets is growing and corresponds substantially to the activation of negative tax bases and provisions recorded in 2016.

Deferred tax assets arise basically from the recognition of negative tax credits generated by losses from prior years, as the Group estimates that they may be offset in future years with the positive results projected in its business plan.

In 2016, there was a considerable increase in deferred tax assets, as a result of the accounting recognition of the business combination due to the incorporation of Pepemobile and Yoigo into the Group, mainly due to negative tax credits provided by Yoigo.

#### Trade accounts receivable and accounts receivable

Details of trade accounts receivable and accounts receivable as of December 31, 2016, 2015 and 2014 are as follows:

Trade Debtors and other accounts receivable (In thousand euros)	31/12/2016	31/12/2015	31/12/2014
Customers	166.191	115.149	26.990
Advances to suppliers	0	57	38
Trade Credits Group companies and associates	0	0	7
Various Debtors	1.497	677	250
Advances to staff	0	0	1
Other credits with the Public Administration	24.898	6.252	2.743
	<b>192.586</b>	<b>122.135</b>	<b>30.029</b>
Impairment value corrections	-4.792	-1.902	-935
<b>Trade Debtors and other accounts receivable</b>	<b>187.794</b>	<b>120.233</b>	<b>29.094</b>

The balance of customers on December 31, 2016 amounted to € 166,191 thousand (€ 29,757 thousand in 2015 without considering the impact of the balance with Jazztel).

As of December 31, 2015, the Clients included mainly the outstanding balance that the Group had with Jazztel for the sale of the IRU over the fibre optic network acquired from Jazztel itself for an amount of 83,490 thousand Euros. This amount has been paid during the month of February 2016.

The movement of the valuation impairment correction is as follows:

Impairment value corrections (In thousand euros)	31/12/2016	31/12/2015	31/12/2014
Balance at 1 January	-1.902	-935	-587
Provisions	-5.929	-2.017	-1.004
Reversals	419	71	82
Uses	2.620	979	574
<b>Balance at 31 December</b>	<b>-4.792</b>	<b>-1.902</b>	<b>-935</b>

#### Cash and other equivalent liquid assets

As of December 31, 2016, available cash amounted to € 236,079 thousand (€ 30,498 thousand and € 8,802 thousand on December 31, 2015 and 2014 respectively) and is the result of investments made in recent years and the proposed financing structure. Section 10.2 of the Registration Document of this Prospectus details the cash flow statement where the origin and destination of the cash flows for each of the periods under analysis.

#### *20.1.1.2. Equity and liabilities*

##### Net Worth

The composition of this item is detailed in section 10.1 of the Registration Document of this Prospectus.

##### Financial liabilities

The composition of this item is detailed in section 10.1 of the Registration Document of this Prospectus.

##### Provisions

The detail of the provisions on December 31, 2016, 2015 and 2014 is as follows:

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Provisions (In thousand euros)	31/12/2016		31/12/2015		31/12/2014	
	Non current	Current	Non current	Current	Non current	Current
Provision for onerous/unfavourable contracts	57.497	37.894	0	0	0	0
Provision for trade operations	29.354	0	0	0	0	0
Dismantling Provision	8.374	0	0	0	0	0
Provisions for commitments with personnel	2.470	0	0	0	0	0
Provisions for other liabilities	500	773	0	762	0	1.374
Other provisions	2.986	575	130	0	130	0
<b>Provisions</b>	<b>101.181</b>	<b>39.242</b>	<b>130</b>	<b>762</b>	<b>130</b>	<b>1.374</b>

The movement of provisions has taken place as follows:

Provisions (In thousand euros)	Provision for onerous/desfavourable contracts	Provision for trade operations	Dismantling provision	Provision for commitments with personnel	Provisions for other liabilities	Other provisions	Total
<b>Balance at 1 January 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.374</b>	<b>130</b>	<b>1.504</b>
Amounts reversed	0	0	0	0	-612	0	-612
<b>Balance at 31 December 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>762</b>	<b>130</b>	<b>892</b>
Business combinations	96.418	35.517	8.370	0	0	12	140.317
Funding of provisions during the financial exercise	0	476	22	2.470	503	23	3.494
Amounts used	0	-4.525	-18	0	0	-12	-4.555
Amounts reversed	-1.027	-2.114	0	0	0	0	-3.141
Other movements	0	0	0	0	8	3.408	3.416
<b>Balance at 31 December 2016</b>	<b>95.391</b>	<b>29.354</b>	<b>8.374</b>	<b>2.470</b>	<b>1.273</b>	<b>3.561</b>	<b>140.423</b>

- Provision of unfavourable / onerous contracts: as of December 31, 2016, includes a provision amounting to 57,497 thousand Euros corresponding to a contract maintained by Yoigo for tower rental, which is considered to be above market. This provision will be written off in the rental period ending in 2030. In addition, a provision of € 37,894 thousand is included for Pepephone's contract with Telefonica in relation to a contract of OMV (virtual mobile operator) and equivalent to the amount of the penalty established in the contract. Since a new contract was signed with Telefonica in December 2016, this provision will be fully applied in 2017.
- Provision for commercial operations: since 2013 the subsidiary Yoigo offers its clients financing, with its own resources or agreements with various financial entities for the acquisition of telephone terminals when these are acquired together with a subscription to the services offered by the company. The provision for commercial transactions includes an estimate of possible risks arising from defaults on financing and the option offered to the client to pay the final instalment or residual value completely through the delivery of the telephone terminal. The provision allocation is recorded as an expense in the Consolidated Income Statements at the time of recognition.
- Provision for site dismantling: The site dismantling provision records the estimated cost for dismantling, removal or rehabilitation in telecommunications infrastructures, recorded as a higher value of the assets in the amount of 8,374 thousand Euros, calculated in accordance with the estimation of the unit cost of dismantling and the hypothetical terminations of contract according to the experience obtained since the launch. The Group reviews its estimates at least at year-end and updates them when necessary to record the provision at its fair value.

- Provision for obligations with personnel: at year-end 2016, the Group has provided a provision to cover indemnities agreed with certain members of its staff amounting to 2,470 thousand Euros.

#### Official subsidies

The movement of official non-refundable subsidies in December 2016, 2015 and 2014 is shown in the following table:

Official Grants (In thousand euros)	2016	2015	2014
Balance as of 1 January	2.218	461	248
Grants obtained during the exercise	9.956	1.924	290
Grants recognised as income	-584	-167	-77
Other movements	208	0	0
<b>Balance as of 31 December</b>	<b>11.798</b>	<b>2.218</b>	<b>461</b>

#### Deferred tax liabilities

The detail of deferred tax liabilities in December 31, 2014, 2015 and 2016 is as follows:

Deferred tax liabilities (In thousand euros)	31/12/2016	31/12/2015	31/12/2014
Intangible assets	54.527	2.100	0
Tangible assets	1.374	1.061	596
Goodwill	2.869	1.717	0
Provisions	592	0	0
Credits for loss carry forwards	0	0	0
Receivables from tax rebates	0	0	0
Impairments	0	0	0
Others	29	7	50
<b>Deferred tax liabilities</b>	<b>59.391</b>	<b>4.885</b>	<b>646</b>

In fiscal year 2016, there is a significant impact on deferred tax liabilities, as a result of the accounting recognition of the business combination due to the incorporation of Pepemobile and Yoigo into the Group.

#### Other non-current liabilities

On July 31, 2015, the subsidiary MÁSMOVIL Broadband, S.A.U. and Jazz Telecom, S.A.U. signed a contract for the transfer of the right to use 40% of the fibre optic network for 69,000 thousand Euros, in which this company has transferred to Jazz Telecom, S.A.U. the irrevocable right to use the components of a fibre optic network over a period of 35 years. The agreement also provides that the Group will assign the right to use 40% of the additional units of the FTTH network deployed in subsequent years for a period of 35 years at a price of € 93 per unit of real estate. In the three-month period ended March 31, 2017, the effect of these new assignments recognized in other non-current liabilities amounted to 3,753 thousand Euros (8,459 thousand Euros in 2016).

According to the conditions stipulated in the contract, other non-current liabilities reflect the income to be distributed in several years in the next thirty-five (35) years based on the duration established in the contract and since the managers estimate that the contract will not be extended.

In this sense, the provision of the service will not generate any operational cost to the Group.

The movement in the account of other non-current liabilities on December 31, 2016 and 2015 for this concept was as follows:

Other non current liabilities (In thousand euros)	31/12/2016	31/12/2015
Initial Balance	68.584	69.000
Additions	8.459	0
Transfer to profit and loss	-2.029	-416
<b>Final Balance</b>	<b>75.014</b>	<b>68.584</b>

The balance of other non-current liabilities for other items as of December 31, 2016 has reached 75 million Euros.

#### Trade creditors and other accounts payable

The detail of trade creditors and other accounts payable on December 31, 2016, 2015 and 2014 is as follows:

Trade creditors and other accounts payable (In thousand euros)	31/12/2016	31/12/2015	31/12/2014
Trade creditors	363.425	36.848	29.593
Public Administrations - other taxes	11.774	1.627	1.351
Staff	3.714	1.155	986
Other debts	4.890	2.108	2.573
<b>Trade creditors and other accounts payable</b>	<b>383.803</b>	<b>41.738</b>	<b>34.503</b>

The evolution of the balance of the trade creditors has grown considerably in 2016 as a result of the corporate transactions carried out during the year. The breakdown of the balance of trade creditors and other accounts payable on December 31, 2016 is as follows:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Trade creditors (In thousand euros)	31/12/2016
Operators: roaming, interconnection, ADSL	125.545
Channel: fees, grants	59.732
Customer equipment: telephones, routers	72.618
Logistics	31.060
Other operating expenses	78.235
Public Administrations	11.774
Pre-paying customers balances	4.840
<b>Trade creditors</b>	<b>383.803</b>

### 20.1.2. Consolidated profit and loss accounts

Loss and Profit Account (In thousand euros)	2016	2015	2014	Var. 15-16 %	Var. 14-15 %
Ordinary Income	401.020	130.249	77.005	207,89%	69,14%
Other Operating income	9.832	3.299	2.416	198,03%	36,55%
Consumption of goods, raw materials and consumables	-262.871	-89.498	-58.818	193,72%	52,16%
Employee benefits expense	-28.221	-14.696	-8.412	92,03%	74,70%
Depreciation and amortisation expenses	-41.204	-10.382	-3.905	296,88%	165,86%
Other operating expenses	-119.103	-18.487	-8.517	544,25%	117,06%
Other results	0	0	56	-	-100,00%
<b>OPERATING RESULT</b>	<b>-40.547</b>	<b>485</b>	<b>-175</b>	<b>-8.460,21%</b>	<b>-377,14%</b>
Financial Income	4.852	36	447	13.377,78%	-91,95%
Financial Expenses	-25.350	-2.537	-959	899,21%	164,55%
Change in fair value of financial instruments	0	0	0	-	-
<b>FINANCIAL RESULT</b>	<b>-20.498</b>	<b>-2.501</b>	<b>-512</b>	<b>719,59%</b>	<b>388,48%</b>
<b>PRE-TAX PROFIT OR LOSS</b>	<b>-61.045</b>	<b>-2.016</b>	<b>-687</b>	<b>2.928,03%</b>	<b>193,45%</b>
Tax on Profits	2.994	509	809	488,21%	-37,08%
<b>RESULT OF THE FINANCIAL YEAR</b>	<b>-58.051</b>	<b>-1.507</b>	<b>122</b>	<b>3.752,09%</b>	<b>-1.335,25%</b>
Income contributed by the controlling company	-58.051	-1.507	144	3.752,09%	-1.146,53%
Income contributed by external partners	0	0	-22	-	-100,00%
<b>RESULT OF THE FINANCIAL YEAR</b>	<b>-58.051</b>	<b>-1.507</b>	<b>122</b>	<b>3.752,09%</b>	<b>-1.335,25%</b>
Other comprehensive income, net of tax	-34	-6	-4	466,67%	50,00%
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-58.085</b>	<b>-1.513</b>	<b>118</b>	<b>3.739,06%</b>	<b>-1.382,20%</b>

See section 9.2.2. of the Registration Document.

### 20.1.3. Statement of changes in equity

The statements of changes in shareholders' equity for the years 2016 and 2015 are as follows:

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Statement of Changes in Equity (In thousand euros)	Attributable to equity holders of the parent company								Non-controlling shares	Equity
	Capital	Issuance Premium	Other Reserves	Accumulated Profit	Treasury Shares	Currency translation differences	Other Equity Instruments	Total		
<b>Balance at 1 January 2015</b>	<b>1.051</b>	<b>66.470</b>	<b>-1.062</b>	<b>144</b>	<b>-1.326</b>	<b>-4</b>	<b>0</b>	<b>65.273</b>	<b>0</b>	<b>65.273</b>
Financial year result	0	0	0	-1.507	0	0	0	-1.507	0	-1.507
Other comprehensive result	0	0	0	0	0	-6	0	-6	0	-6
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1.507</b>	<b>0</b>	<b>-6</b>	<b>0</b>	<b>-1.513</b>	<b>0</b>	<b>-1.513</b>
Capital Increases	126	21.000	0	0	0	0	0	21.126	0	21.126
Treasury Shares	0	0	766	0	85	0	0	851	0	851
Changes of participation in dependent companies	0	0	0	0	0	0	3.510	3.510	0	3.510
Distribution of fiscal year's income / (loss)	0	0	0	0	0	0	0	0	0	0
Reserves	0	0	144	-144	0	0	0	0	0	0
Other movements	0	0	-222	0	0	0	0	-222	0	-222
<b>Balance at 31 December 2015</b>	<b>1.177</b>	<b>87.470</b>	<b>-374</b>	<b>-1.507</b>	<b>-1.241</b>	<b>-10</b>	<b>3.510</b>	<b>89.025</b>	<b>0</b>	<b>89.025</b>
Financial year result	0	0	0	-58.051	0	0	0	-58.051	0	-58.051
Other comprehensive result	0	0	0	0	0	-34	0	-34	0	-34
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-58.051</b>	<b>0</b>	<b>-34</b>	<b>0</b>	<b>-58.085</b>	<b>0</b>	<b>-58.085</b>
Capital Increases	818	159.182	0	0	0	0	0	160.000	0	160.000
Transaction Costs	0	0	-1.945	0	0	0	0	-1.945	0	-1.945
Treasury Shares	0	0	-261	0	866	0	0	605	0	605
Issuance of other compound taxes	0	0	0	0	0	0	66.253	66.253	0	66.253
Issuance of share-based payments	0	0	0	0	0	0	259	259	0	259
Distribution of fiscal year's income / (loss)	0	0	0	0	0	0	0	0	0	0
Reserves	0	0	-1.507	1.507	0	0	0	0	0	0
Other movements	0	0	-507	0	0	0	0	-507	0	-507
<b>Balance at 31 December 2016</b>	<b>1.995</b>	<b>246.652</b>	<b>-4.594</b>	<b>-58.051</b>	<b>-375</b>	<b>-44</b>	<b>70.022</b>	<b>255.605</b>	<b>0</b>	<b>255.605</b>

#### 20.1.4. Statement of cash flows

See section 10.2 of this Registration Document.

#### **20.2. Pro forma financial information**

Not applicable.

#### **20.3. Financial statements**

See sections 3 and 20.1 of this Registration Document.

#### **20.4. Audit of annual historical financial information**

##### 20.4.1. Statement that historical financial information has been audited.

As described in section 2.1 of this Registration Document, KPMG Auditores has audited the consolidated financial statements for the years 2015 and 2014 and the consolidated annual accounts for the year 2016. The audit reports of the mentioned periods contain a favourable and unqualified opinion.

It should be noted that KPMG Auditores has made a limited review of the consolidated financial statements for the three (3) month period ended March 31, 2017.

##### 20.4.2. Indication of any other information in the registration document that has been audited by the auditors

Not applicable.

##### 20.4.3. When the financial data of the registration document have not been extracted from the Issuer's audited financial statements, the Issuer must declare the source of the data and declare that the data has not been audited

Not applicable.

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

**20.5. Age of most recent financial information**

The most recent financial reporting period included in this Prospectus corresponds to the three (3) month period ended March 31, 2017, subject to limited review.

**20.6. Interim information and other financial information**

**Consolidated balance sheets**

The consolidated balance sheets on March 31, 2017 and December 31, 2016 are as follows:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Balance Sheet (In thousand euros)	31/03/2017	31/12/2016	Var. 16-17 (3m) %
<b>NON CURRENT ASSETS</b>	<b>1.457.697</b>	<b>1.425.488</b>	▲ <b>-2,21%</b>
Intangible assets	779.245	737.259	-5,39%
Tangible fixed assets	397.779	403.948	1,55%
Deferred tax assets	233.876	235.801	0,82%
Other non current assets	46.797	48.480	3,60%
<b>CURRENT ASSETS</b>	<b>408.670</b>	<b>437.337</b>	▲ <b>7,01%</b>
Trade Debtors and other accounts receivable	176.660	187.794	6,30%
Cash and other equivalent liquid assets	218.159	236.079	8,21%
Other current assets	13.851	13.464	-2,79%
<b>TOTAL ASSETS</b>	<b>1.866.367</b>	<b>1.862.825</b>	▲ <b>-0,19%</b>
<b>Equity</b>	<b>248.179</b>	<b>255.605</b>	▲ <b>2,99%</b>
Share Capital	1.995	1.995	0,00%
Issuance Premium	246.652	246.652	0,00%
Accumulated profit and other reserves	-70.323	-62.645	-10,92%
Treasury Shares	-279	-375	34,41%
Other Equity instruments	70.088	70.022	-0,09%
Currency translation differences	46	-44	-195,65%
<b>NON CURRENT LIABILITIES</b>	<b>973.071</b>	<b>931.615</b>	▲ <b>-4,26%</b>
Debts with credit institutions	438.557	434.125	-1,01%
Debts under finance lease	32.725	34.350	4,97%
Other financial liabilities	240.257	181.998	-24,25%
Provisions	83.856	101.181	20,66%
Deferred tax liabilities	58.332	59.391	1,82%
Other non current liabilities	78.467	75.289	-4,05%
Remaining non current liabilities	40.877	45.281	10,77%
<b>CURRENT LIABILITIES</b>	<b>645.117</b>	<b>675.605</b>	▲ <b>4,73%</b>
Debts with credit institutions	32.373	35.939	11,02%
Financial derivative instruments	60.499	72.741	20,24%
Other financial liabilities	119.955	136.159	13,51%
Trade creditors and other accounts payable	371.204	383.803	3,39%
Other current liabilities	61.086	46.963	-23,12%
<b>TOTAL Equity AND LIABILITIES</b>	<b>1.866.367</b>	<b>1.862.825</b>	▲ <b>-0,19%</b>

The significant changes with respect to the closing of December 31, 2016 will be listed below.

#### Intangible Assets

The composition and movement in the accounts comprising Intangible Assets have been as follows:

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Intangible assets (In thousand euros)	Goodwill	Software	Patents, trademarks and licenses	Development	Other intangible assets	Advances	Rights of use	Total
<b>Cost</b>								
<b>Balance at 1 January 2016</b>	<b>78.257</b>	<b>9.584</b>	<b>960</b>	<b>8.852</b>	<b>20.152</b>	<b>382</b>	<b>20.215</b>	<b>138.402</b>
Business combinations	299.149	14.845	186.641	0	109.989	0	0	610.624
Additions	0	8.020	0	3.178	15.857	0	0	27.055
Disposals	0	-1.215	0	0	-35	0	0	-1.250
Transfers	0	1.380	-535	5.022	-3.695	0	0	2.172
<b>Balance at 31 December 2016</b>	<b>377.406</b>	<b>32.614</b>	<b>187.066</b>	<b>17.052</b>	<b>142.268</b>	<b>382</b>	<b>20.215</b>	<b>777.003</b>
Business combinations	11.452	0	2.650	0	30.609	0	0	44.711
Additions	0	1.592	0	588	8.224	0	0	10.404
Disposals	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Currency translation differences	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2017</b>	<b>388.858</b>	<b>34.206</b>	<b>189.716</b>	<b>17.640</b>	<b>181.101</b>	<b>382</b>	<b>20.215</b>	<b>832.117</b>
<b>Amortisation and impairment losses</b>								
<b>Balance at 1 January 2016</b>	<b>0</b>	<b>-3.701</b>	<b>-122</b>	<b>-5.050</b>	<b>-7.482</b>	<b>0</b>	<b>-63</b>	<b>-16.418</b>
Amortisation of the exercise	0	-3.559	-4.092	-2.055	-9.395	0	-2.571	-21.672
Disposals	0	392	0	0	0	0	0	392
Transfers	0	-1.524	-150	28	-22	0	0	-1.668
<b>Intangible assets</b>	<b>0</b>	<b>-8.392</b>	<b>-4.364</b>	<b>-7.077</b>	<b>-16.898</b>	<b>0</b>	<b>-2.634</b>	<b>-39.365</b>
Amortisation of the exercise	0	-2.126	-4.689	-332	-5.976	0	0	-13.123
Disposals	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Currency translation differences	0	-5	0	0	0	0	0	-5
<b>Balance at 31 March 2017</b>	<b>0</b>	<b>-10.523</b>	<b>-9.053</b>	<b>-7.409</b>	<b>-22.874</b>	<b>0</b>	<b>-2.634</b>	<b>-52.493</b>
<b>Value impairment at 1 January 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Value impairment at 31 December 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-379</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-379</b>
<b>Value impairment at 31 March 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-379</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-379</b>
<b>Book value</b>								
<b>At 1 January 2016</b>	<b>78.257</b>	<b>5.883</b>	<b>838</b>	<b>3.802</b>	<b>12.670</b>	<b>382</b>	<b>20.152</b>	<b>121.984</b>
<b>At 31 December 2016</b>	<b>377.406</b>	<b>24.222</b>	<b>182.702</b>	<b>9.596</b>	<b>125.370</b>	<b>382</b>	<b>17.581</b>	<b>737.259</b>
<b>At 31 March 2017</b>	<b>388.858</b>	<b>23.683</b>	<b>180.663</b>	<b>9.852</b>	<b>158.227</b>	<b>382</b>	<b>17.581</b>	<b>779.245</b>

### *Business Fund*

See section 9.2.1. of this Registration Document.

### *Other intangible assets*

In the first quarter of 2017, there were increases in the business combination amounting to 30,609 thousand Euros as a result of the integration of Llamaya.

### Immobilized material

See section 8.1. of this Registration Document in relation to the movements produced in the first quarter of 2017.

### Trade debtors

Details of trade debtors and accounts receivable as of March 31, 2017 and December 31, 2016 are as follows:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Trade Debtors and other accounts receivable (In thousand euros)	31/03/2017	31/12/2016
Customers	169.286	166.191
Advances to suppliers	0	0
Trade Credits Group companies and associates	0	0
Various Debtors	1.677	1.497
Advances to staff	0	0
Other credits with the Public Administration	12.952	24.898
	<b>183.915</b>	<b>192.586</b>
Impairment value corrections	-7.255	-4.792
<b>Trade Debtors and other accounts receivable</b>	<b>176.660</b>	<b>187.794</b>

The balance of customers as of March 31, 2017 amounted to 169,286 thousand Euros.

The balance of customers on December 31, 2016 amounted to € 166,191 thousand (€ 29,757 thousand in 2015 without considering the impact of the balance with Jazztel).

The movement of the valuation impairment correction is as follows:

Impairment value corrections (In thousand euros)	31/03/2017	31/12/2016
Balance at 1 January	-4.792	-1.902
Provisions	-6.818	-5.929
Reversals	1.838	419
Uses	2.517	2.620
<b>Balance at 31 December</b>	<b>-7.255</b>	<b>-4.792</b>

#### Net Worth

The composition of this item is detailed in section 10.1 of the Registration Document of this Prospectus.

#### Financial liabilities

The composition of this item is detailed in section 10.1 of the Registration Document of this Prospectus.

#### Provisions

The detail of the provisions as of March 31, 2017 and December 31, 2016 is as follows:

Provisions (In thousand euros)	31/03/2017		31/12/2016	
	Non current	Current	Non current	Current
Provision for onerous/unfavourable contracts	56.470	35.712	57.497	37.894
Provision for trade operations	15.526	12.751	29.354	0
Dismantling Provision	8.374	0	8.374	0
Provisions for commitments with personnel	0	0	2.470	0
Provisions for other liabilities	500	818	500	773
Other provisions	2.986	686	2.986	575
<b>Provisions</b>	<b>83.856</b>	<b>49.967</b>	<b>101.181</b>	<b>39.242</b>

The movement of provisions has taken place as follows:

Provisions (In thousand euros)	Provision for onerous/desfavourable contracts	Provision for trade operations	Dismantling provision	Provision for commitments with personnel	Provisions for other liabilities	Other provisions	Total
<b>Balance at 31 December 2016</b>	<b>95.391</b>	<b>29.354</b>	<b>8.374</b>	<b>2.470</b>	<b>1.273</b>	<b>3.561</b>	<b>140.423</b>
Business combinations	4.134	0	0	0	0	0	4.134
Funding of provisions during the financial exercise	0	238	0	0	45	111	394
Amounts used	-6.316	-1.315	0	-2.470	0	0	-10.101
Amounts reversed	-1.027	0	0	0	0	0	-1.027
Other movements	0	0	0	0	0	0	0
<b>Balance at 31 March 2017</b>	<b>92.182</b>	<b>28.277</b>	<b>8.374</b>	<b>0</b>	<b>1.318</b>	<b>3.672</b>	<b>133.823</b>

- As of March 31, 2017, it includes a provision amounting to 56,470 thousand Euros (57,497 thousand Euros on December 31, 2016) corresponding to a contract with Yoigo for tower rental, which is considered to be above market. This provision will be derecognized in the rental period ending in 2030, having reversed the amount of 1,027 thousand Euros in the three-month period ended March 31, 2017.
- Another provision for the amount of 31,578 thousand Euros (37,894 thousand Euros on December 31, 2016) is included in the contract that Pepephone maintains with Telefonica in relation to an OMV (virtual mobile operator) contract, which is equivalent to the amount of the penalty established in the contract. As a new contract was signed with Telefonica in December 2016, this provision will be fully applied in 12 monthly instalments during 2017, having applied in the three-month period ended March 31, 2017 an amount of 6,316 thousand Euros.

In addition, the heading includes the provision in the amount of 4,134 thousand Euros in relation to the contract that the business unit Llamaya maintains with Orange and that is equivalent to the best estimate of the administrators of the amount of the penalty to be paid for the cancellation. The provision will be fully applied during 2017, once a new contract with that provider is signed.

- Provision for obligations with personnel: At year-end 2016, the Group provided a provision to cover indemnities agreed with certain members of its staff amounting to 2,470 thousand Euros. As of March 31, 2017, the provision has been applied in full.

#### Other non-current liabilities

On July 31, 2015, the subsidiary MÁSMOVIL Broadband, S.A.U. and Jazz Telecom, S.A.U. signed a contract for the transfer of the right to use 40% of the fibre optic network for 69,000 thousand Euros, in which this company has transferred to Jazz Telecom, S.A.U. the irrevocable right to use the components of a fibre optic network over a period of 35 years. The agreement

also provided that the Group will assign the right to use 40% of the additional units of the FTTH network deployed in subsequent years for a period of thirty-five (35) years at a price of 93 Euros per real estate unit. In the three-month period ended March 31, 2017, the effect of these new assignments recognized in other non-current liabilities amounted to 3,753 thousand Euros (8,459 thousand Euros in 2016).

According to the conditions stipulated in the contract, other non-current liabilities reflect the income to be distributed in several years in the next thirty-five (35) years based on the duration established in the contract and since the managers estimate that the contract will not be extended.

It should be noted in this regard that the provision of this service will not generate any operational cost to the Group.

#### Trade creditors and other accounts payable

The detail of trade creditors and other accounts payable as of March 31, 2017 and December 31, 2016 is as follows:

Trade creditors and other accounts payable (In thousand euros)	31/03/2017	31/12/2016
Trade creditors	331.525	363.425
Public Administrations - other taxes	29.339	11.774
Staff	4.218	3.714
Other debts	6.122	4.890
<b>Trade creditors and other accounts payable</b>	<b>371.204</b>	<b>383.803</b>

#### Consolidated Profit and Loss Statement

The consolidated profit and loss statements for the three (3) months ended March 31, 2017 and 2016 are as follows:

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Loss and Profit Account (In thousand euros)	2017 (3m)	2016 (3m)	Var. 16-17(3m) %
Ordinary Income	296.857	33.924	775,06%
Other Operating income	7.573	47	16012,77%
Consumption of goods, raw materials and consumables	-169.440	-22.022	669,41%
Employee benefits expense	-9.642	-4.818	100,12%
Depreciation and amortisation expenses	-28.428	-3.644	680,13%
Other operating expenses	-84.955	-5.934	1331,66%
Other results	0	0	-
<b>OPERATING RESULT</b>	<b>11.965</b>	<b>-2.447</b>	<b>-588,97%</b>
Financial Income	306	18	1600,00%
Financial Expenses	-15.805	-235	21114,47%
Change in fair value of financial instruments	99	0	-
<b>FINANCIAL RESULT</b>	<b>-15.400</b>	<b>-217</b>	<b>22687,56%</b>
<b>PRE-TAX PROFIT OR LOSS</b>	<b>-3.435</b>	<b>-2.664</b>	<b>1307,06%</b>
Tax on Profits	-4.290	-960	346,88%
<b>RESULT OF THE FINANCIAL YEAR</b>	<b>-7.725</b>	<b>-3.624</b>	<b>1052,70%</b>
Income contributed by the controlling company	-7.725	-3.624	1052,70%
Income contributed by external partners	0	-	-
<b>RESULT OF THE FINANCIAL YEAR</b>	<b>-7.725</b>	<b>-3.624</b>	<b>1052,70%</b>
Other comprehensive income, net of tax	90	10	800,00%
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-41,684</b>	<b>-3.614</b>	<b>1053,40%</b>

See section 9.2.2. For the significant changes in the profit and loss statement.

## **20.7. Dividend Policy**

Number of dividends per share in each year for the period covered by historical financial information, adjusted if the number of shares of the Issuer has changed, so as to be comparable

On February 16, 2012, the General Shareholders' Meeting agreed to make an offer to subscribe for shares through the creation of class B shares that entailed the right to obtain a preferred dividend. The privilege of the aforementioned shares consisted in having a right to receive a preferential dividend of 6% on the value of the shares at the time of subscription only for the years 2012, 2013 and 2014. This preferred dividend was distributed with a charge to the profits of said years. In the event that the results of any of the exercises were insufficient to satisfy the preferential dividend, the distribution of said preferential dividends would be made from voluntary reserves. As of fiscal year 2015, the shares subject to the subscription offer would no longer have the condition of shares with the right to a preferential dividend, so they would not be entitled to receive any preferential dividend from that year.

On October 25, 2013, it was agreed at the Extraordinary General Meeting to fully advance the distribution of the extraordinary dividend planned for 2013 and 2014 for class B shares amounting to 300 thousand Euros, and which was charged to reserves. Following the distribution of this dividend, and on October 31, 2013, the General Meeting approved the merger of both the political and economic rights of Class A and Class B shares.

No dividend has been distributed since the date of the previous Meeting up to the date of this Prospectus.

MÁSMOVIL does not intend to distribute to its shareholders any dividend on account of the results for 2017 or 2018. However, the financial capacity to distribute dividends may be affected by any of the different risks described in the Prospectus, as well as by the evolution of the constraints reflected in the various financing agreements currently in force.

The covenants that affect the free distribution of dividends by the Company, according to the various financing agreements currently in force, are detailed below (this information is extended in sections 10.1.2.1 and 10.1.2.4 of this Informative Prospectus):

Financial Instrument	Restrictions on dividend allocation
Syndicated Loan (nominal 356 million euros)	Dividends may only be distributed if Consolidated Senior Net Debt / EBITDA ratio is equal of below 2.75x.
Subordinated Debt (nominal 95.5 million euros)	Dividends may only be distributed if Consolidated Senior Net Debt / EBITDA ratio is equal of below 2.75x.
Masmóvil Ibercom Bond (Nominal 27 million euros)	Dividends may only be distributed if Consolidated Senior Net Debt / EBITDA ratio is equal of below 2.75x (ratio does not apply if payments come from the sale of companies or assets belonging to Masmóvil Ibercom S.A. Group and which are not owned by the Issuer). It must not be prior to the earlier of the following dates: (i) expiration of the guarantees of Xfera's minority shareholders, (ii) execution of all the guarantees of (i), or (iii) the date on which any Xfera's minority shareholder capitalises its debt.
Masmóvil Broadband Bond (nominal 68 million euros)	Dividends may only be distributed, from year 2019, provided that the Net Financial Debt/EBITDA ratio shall be equal or below 3.00x

The "guarantees of minority shareholders of Xfera" referred to in the covenant of the 27,000-thousand-euro bond issued by the parent company refers to the guarantees issued in favour of the holders of the Notes of which they were minority shareholders of Xfera. At this moment, only the guarantees issued in favour of ACS Telefonía Movil, S.L. are in force, which expire on October 5, 2018. In turn, it is this same company, ACS Telefonía Movil, S.L., the only former minority shareholder of Xfera currently holder of debt to MÁSMOVIL (Note of 120 million Euros).

## **20.8. Judicial and arbitration proceedings**

The following are the relevant litigations that are open at the date of issuance of the Registration Document. The Company has not provided any amount for these items because it considers that the estimated level of risk does not require consideration of any provision:

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Procedural position	Proceedings	Start of proceedings	Amount (in euros)	Status
Plaintiff	Appeal (Recurso Contencioso-Administrativo) nº 559/2015 before the AN against liquidation of TASA ESPECTRO 2012	2015	27.147.857	Judgement against the claimant on 2 March 2017. Considering appeal based on the result of the clarification of appeal 2013 and 2014.
Plaintiff	Appeal (Recurso Casación) 154/2017 before the Tribunal Supremo against Judgement of 3 November of the AN Contencioso-Administrativo nº 560/2015 TASA ESPECTRO 2013	2017	27.147.857	Non-admission of appeal as of 9 March 2017. A request for clarification has been submitted.
Plaintiff	Appeal (Recurso Casación 291/2016) before the Tribunal Supremo against Judgement 24 October 2016 of the AN Contencioso-Administrativo nº 557/2015 TASA ESPECTRO 2014	2016	27.147.857	Non-admission of appeal as of 1 March 2017. A request for clarification has been submitted.
Claimant	Economic-administrative claim (Reclamación Económica Administrativa) before the TEAC (claim no. 00/05442/2015) TASA ESPECTRO 2015	2015	27.147.857	Pending
Claimant	Economic-administrative claim (Reclamación Económica Administrativa) before the (claim no. 00/03990/2016) TASA ESPECTRO 2016	2016	27.147.857	Pending
Claimant	Economic-administrative claim (Reclamación Económica Administrativa) before the (claim no. 00/05352/2016) TASA GENERAL DE OPERADORES 2011	2016	353.243,05 (guaranteed)	Pending
Claimant	Economic-administrative claim (Reclamación Económica Administrativa) before the (claim no. pending) TASA GENERAL DE OPERADORES 2013	2016	412.279,61 (guaranteed)	Pending
Plaintiff	Appeal (Recurso Contencioso-Administrativo) nº 333/2015 before the TSJ of Catalonia against Decree 83/2015 IMPUESTO SOBRE EL ACCESO A INTERNET (TAX ON INTERNET ACCESS)	2015	Undetermined	Pending
Plaintiff	Appeal (Recurso Contencioso-Administrativo) nº 356/2015 before the TSJ of Catalonia against Decree 121/2015 IMPUESTO SOBRE EL ACCESO A INTERNET (TAX ON INTERNET ACCESS)	2015	Undetermined	Pending
Plaintiff	Appeal (Recurso Contencioso-Administrativo) nº 368/2015 before the TSJ of Catalonia against Order ECO/194/2015 IMPUESTO SOBRE EL ACCESO A INTERNET (TAX ON INTERNET ACCESS)	2015	Undetermined	Pending
Plaintiff/Defendant	Ordinary proceedings 1325/2014, before the Juzgado de Primera Instancia nº 52 of Madrid. Filed by PepeMobile S.L and Pepeworld, S.L against Xfera, which also filed a counterclaim against Pepemobile and Pepeworld.	2014	7,819,192 euros amount claimed by Pepemobile and Pepeworld in their claim. 31,971,240 euros amount claimed by XFERA in counterclaim	Judgement received on the 17 March 2017, in favour of Pepephone's claim (sentencing Xfera to pay 7,89,142) and partially in favour of the counterclaim filed by Xfera. Xfera (Pepemobile is sentenced to pay 7,000,000)
Plaintiff	Ordinary proceedings 702/2015 filed before the Sala Contencioso administrativo of the Audiencia Nacional	2015	300.000	Termination of proceedings, pending date for voting procedure and sentence through court order of 27 September 2016.
Defendant	Ordinary proceedings 87/2011 before the Juzgado de Mercantil de Palma de Mallorca, filed by the INSTUT MUNICIPAL DE PROTECCIO AL CONSUMIDOR, against XFERA	2011	Undetermined	Pending termination proceeding due to supervening loss of subject-matter.
Plaintiff	Decree enforcement	2009	375.255	Search of directors' assets in France and judgment enforcement
Claimant	Economic-administrative claims filed before the Tribunal Económico Administrativo Regional de Valencia against dismissal of three appeals filed against three complementary liquidations of the Tax Authorities of Valencia	2014	295.477	Pending
Plaintiff	Appeal (Recurso contencioso administrativo) to be filed before the TSJ of Galicia, against dismissal by the Tribunal Económico Administrativo Regional de Galicia of 10/02/2017.	2017	297.622	Pending contentious-administrative appeal before 11/04/2017.
Claimant	Appeal (Recurso de Reposición) filed before the Andalusia's Tax Authorities against complementary liquidation of 28 February 2016, by the Provincial Manager (Gerente Provincial) of the Tax Authorities in Andalusia (Agencia Tributaria de Andalusia) (EXP. ITPADJ - EH4101-2011/24202)	2016	1.440.856	Pending
Plaintiff	PO 174/2016 Juzgado de lo Contencioso Administrativo nº 11 de Barcelona	2014	150.625	Appeal
Plaintiff	PO 228/2016 Juzgado de lo Contencioso Administrativo nº 4 de Barcelona	2014	100.000	Appeal
Defendant	Punishing proceeding SAN 78669/2015 initiated by the Agencia Catalana de Consumo	2015	106.000	Resolution notified, pending appeal
Aggrieved	Preliminary Proceedings PA 5614/2014 Juzgado de Instrucción nº 51 de Madrid	2014	195.585	Preparing action
Claimant	Claim at the Police Headquarters (DG Policia) 19766/16 FUT -11/16	2016	287.814	Claim submitted
Defendants (XTRAs sub civil respons.)	Preliminary Proceedings 766/2016 Juzgado de Primera Instancia e Instrucción nº 3 Pozuelo de Alarcón	2015	6.979.723	The defendants have already been summoned for depositions
Creditor	Creditor in bankruptcy proceeding 42/2015 against Actividades de Consultoría y Telecomunicaciones SA	42071	232.486	Pending
Plaintiff	Ordinary Proceedings 173/2013	41589	180.080	Judgement against defendant. Sentencia estimatoria. Judgment enforcement with seizure of properties.
Defendant	Labour Proceedings (Procedimiento laboral) 902/2015 Juzg. Social 25 Madrid	2015	1.547.038	Dismissal of claim. Not said yet whether they will appeal this judgement or not.
Defendant	Labour Proceedings (Procedimiento laboral) 1139/2015 Juzg. Social 13 Madrid	2015	1.081.760	Pending decree
Defendant	Labour Proceedings (Procedimiento laboral) ( ) Juzg Social 16 Madrid.	2017	165.224	Pending hearing
Defendant	Labour Proceedings (Procedimiento laboral) ( ) Juzg Social 16 Madrid.	2017	151.776	Pending hearing
Defendant	Labour Proceedings (Procedimiento laboral) 353/2015 Juzg. Social 2 Madrid	2015	169.416	Pending
Defendant	Labour Proceedings (Procedimiento laboral) 1139/2015 Juzg. Social 13 Madrid	2015	1.081.760	Pending
Defendant	Labour Proceedings (Procedimiento laboral) Juzg. 29 Madrid	2015	219.809	Pending

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

**20.9 Significant changes in the financial or commercial position of the Issuer**

Not applicable.

## **21. ADDITIONAL INFORMATION**

### **21.1. Share capital**

#### Amount of issued capital, and for each class of share capital

At the date of this Prospectus, the nominal amount of the issued share capital is 1,995,110 Euros divided into 19,951,100 shares with a nominal value of 0.10 Euros each, all of the same class and series, fully subscribed and paid up, and represented by book entries.

#### *21.1.1.1 Number of authorized shares*

The agreement approved at MÁSMOVIL's General Meeting of June 22, 2017, in which the Meeting delegated to the Board of Directors the power to carry out capital increases with the limit established in article 297.1.b) of the Consolidated Text of the Spanish Companies Law, within the legal term of five (5) years from the date of said Meeting, and may be extended one or more times. Likewise, the Meeting delegated to the Board of Directors the power to exclude, in whole or in part, the pre-emptive rights of the shareholders in the terms of art. 506 of the abovementioned legal text, although this power was subject and cannot be exercised until the date of admission to official trading of the shares of the Company on the Stock Exchange through the Spanish Stock Exchange Interconnection System (S.I.B.E.).

Likewise, it was approved that the authorization conferred by the General Meeting on May 30, 2014 be rescinded in the unused part.

The Board of Directors has not made use of the aforementioned delegation as of the date of this Prospectus.

#### *21.1.1.2. Number of issued and fully paid up shares and those issued but not fully paid up*

There are no passive dividends, as MÁSMOVIL's share capital is fully subscribed and paid up.

#### *21.1.1.3. Nominal value per share, or that the shares have no face value*

All shares in which MÁSMOVIL's share capital is divided have a nominal value of 0.10 Euros each.

#### *21.1.1.4. A reconciliation of the number of shares outstanding at the beginning and end of the year. If more than 10% of the capital is paid with assets other than cash within the period covered by the historical financial information, this fact must be declared*

The number of shares outstanding on December 31, 2016 was 19,951,100, and a share capital increase of 818,414.40 Euros was approved during that year, i.e. 8,184,144 shares with a nominal value of 0.10 Euros. Therefore, at the beginning of that year, the Company had a share capital of 1,176,695.60 Euros, that is, 11,766,956 shares with a nominal value of 0.10 Euros.

On the other hand, from December 31, 2016 until the date of this Prospectus, the number of shares of the Company has not increased.

#### If there are shares that do not represent capital, the number and main characteristics of those shares will be declared

There are no shares that are not representative of the share capital.

**Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.**

Number, accounting value and nominal value of the shares of the Issuer in power or on behalf of the Issuer itself or its subsidiaries

On June 30, 2017, the Company owns 16,393 own shares representing 0.08% of the current share capital of MÁSMOVIL.

Number of shares	Nominal value	Accounting value	Percentage (%)
16,393	0.10 Euros	973,416.06 Euros	0.08%

Below is a table detailing the shares held by the Company under treasury stock in the period covered by the historical financial information of the Shareholders' Meetings held between May 30, 2014 and November 4, 2016.

Treasury Shares	Exercise			
	31.03.17	2016	2015	2014
No. of Shares at the end of the exercise	8.243	14.939	55.180	98.010
Net Share Increase	-6.696	-40.241	-42.830	87.438
Total % of capital at the end of the period	0,04%	0,07%	0,47%	0,93%
Net cash received during the exercise (thousand euros)	221	605	851	-640
Average Cost (euros)	33,84	25,11	22,50	13,53
Impact on Company's Reserves (thousand euros)	59	-261	581	616

Amount of all convertible bonds, exchangeable securities or warrants, indicating the conditions and procedures governing their conversion, exchange or subscription

The following are detailed below: (i) those operations that necessarily result in the issuance of new shares; and (ii) transactions that could involve a payment in shares, which would not necessarily be new issues, and therefore would not be considered in the table presented.

As detailed in sections 10.1.1 and 10.1.2.4 of this Prospectus, the MÁSMOVIL General Shareholders' Meeting approved on August 16, 2016 an issue of convertible and / or exchangeable bonds in newly issued shares of MÁSMOVIL, for a nominal amount of 165 million Euros, which was fully subscribed and paid on October 5, 2016 by Providence, through the subscription of the 1,650 bonds issued for a nominal amount of 100 thousand Euros each, resulting in a total nominal value of 165 million Euros. The company transferred on the same date all bonds to PLT VII MC Sarl (Providence).

The bonds bear a nominal fixed interest rate of 6.35% per year, and have a maturity date of eight (8) years, that is, in 2024.

The interest accrued by the bonds will be incorporated into the nominal value of the bond. In addition, the bondholder has the right to request the conversion (i) at any time after the thirty-nine (39) months following the date of issue of the bonds until the seventh working day prior to the due date of the Issue (both inclusive); or (ii) within thirty (30) days after a person acquires control of the Company (except in the event of a public offering for the acquisition of shares of the Company, in which case the conversion may be requested at any time until the result thereof is announced and it is declared unconditional (if it is subject to conditions) or the exclusion of trading of the shares of the Company (not followed by admission to trading on another secondary securities market). For the purpose of conversion, the value of each obligation will be the result of adding: (i) their nominal value, (ii) capitalized interest and (iii) interest accrued and not paid or capitalized up to the date on which the appropriate public deed of execution of the capital increase is granted or, in case of delivery of existing shares, the date on which the depositary entity of the existing shares is instructed to deliver them to the corresponding bondholder (such date included).

The initial price at which the bonds would be converted is set at €22 per share and is subject to adjustments in the circumstances described in the Conditions of the obligations, which reflect the usual adjustments in this type of convertible instruments, without them being able to generate significant economic dilution.

On the other hand, on June 23, 2016, the Ordinary General Shareholders' Meeting resolved to issue 500,000 convertible bonds into shares of the Company, with a nominal value of € 20.42 per bond, and consequently, for a total amount of 10,210 thousand Euros in order to implement the Stock Option Plan I on shares of the management team and the Chief Executive Officer. At the present date, the conversion of said bonds into shares would represent 2.50% of the Company's share capital, with a fixed conversion ratio, entitling the subscription of a bond to the subscription of a share. The conversion will be formalized, in any case, before May 31, 2018, provided that the terms and conditions provided for in the Options Plan I are met by the beneficiaries.

Finally, there is a commitment to increase capital against ACS Telefonía Movil, S.L. under the debt recognition and debt-equity-accrual agreement of MÁSMOVIL disclosed to the public on June 20, 2016 for a minimum amount of 120 million, which can reach 200 million Euros if certain conditions are met. The capitalization price varies depending on the circumstances and when the creditor requires the capitalization of the existing debt. The amount of 120 million Euros would be the maximum effective amount of the capital increase to be made in case the creditor requires the capitalization of the existing debt, as indicated in sections 5.1.5.3, 9.2. 1, 10.1.2.4 and 10.1.2.5 of this Prospectus.

Thus, as detailed in this Prospectus, the balance sheet of MÁSMOVIL as of March 31, 2017 incorporates three differentiated convertible bonds that, in the event that the creditor decides to convert the totality of them into shares, the Company would have to increase capital by issuing a maximum of 13,603 thousand new shares (according to calculations that may be made at the present date), which would mean that current shareholders would see their share of capital diluted by up to 40%.

Description	Max amount (€)	Share value (€)	Max No. of shares	Date
Providence* (Convertible debentures)	182.658.960	22,0	8.302.680	Between 23 December 2019 and 16 September 2024
Yoigo (Note)	120.000.000	25,0	4.800.000	25 euros until 5 October 2019. 40 euros until 5 October 2023
Director's Stock Option Plan	10.210.000	20,4	500.000	Before 31 May 2018
	312.868.960	23,0	13.602.680	

Capital Movements	Shares	Capital %
Current Capital	19.951.100	(a) 59,46%
New shares to be issued (maximum)	13.602.680	(b) 40,54%
Resulting capital amount	33.553.780	(a)+(b) 100,00%

\* The calculation considers the maximum possible conversion at 3 years and 3 months (nominal + 50% of interest)

Additionally, on December 29, 2016, and as detailed in sections 5.1.5.3, 7.1 and 12.1 of this Prospectus, MÁSMOVIL Telecom, 3.0, S.A.U. (as purchaser) Llamaya Movil, S.L.U. (as seller), More minutes communications, S.L. and Mr. Hector Najjar Jurado, Mr. Daniel Najjar Jurado and Mr. Samir Najjar Jurado, entered into a contract for the sale of a business unit subject to the fulfilment of certain conditions precedent (according to the purchase and sale agreement). On January 31, 2017, the closing and execution of the aforementioned Purchase and Sale Agreement was made public, with the price of the latter being a fixed amount (€ 24,891 thousand cash payment and a deferred payment of € 4,800 thousand to be paid by bank check at 18 months from the closing date of the transaction) and another variable amount of up to 12,000 thousand Euros linked to the achievement of operating parameters (customer acquisition and maintenance) established between the parties.

This earn-out could amount to 12 million Euros, of which 4.5 million Euros would be in cash and the rest in cash or shares, at MÁSMOVIL's choice. In the event that MÁSMOVIL decides to pay in shares, the number of shares to be delivered shall be the result of dividing the corresponding variable payment between the greater of two values: (i) the average market price at the market

closing of the thirty (30) business days following the reference date of the corresponding milestone (operating parameter); or (ii) 25 Euros.

With respect to the variable payment of up to 7.5 million Euros, it is divided in turn into four (4) variable payments, independent of each other, as follows:

- Operating Parameter 1: Variable payment of 2.0 million Euros payable at twenty (20) months from the closing date of the transaction, which is on January 31, 2017;
- Operating Parameter 2: Variable payment of 1.75 million Euros payable at twenty-two (22) months from the closing date of the transaction, which is on January 31, 2017;
- Operating Parameter 3 (with different criteria than the previous operating parameter 2): Variable payment of 1.75 million Euros payable at twenty-two (22) months from the closing date of the transaction, which is on January 31, 2017;
- Operating Parameter 4: Variable payment of 2.0 million Euros payable at twenty-five (25) months from the closing date of the transaction, which is on January 31, 2017.

In case the seller agreed to the whole of this last variable payment, 7.5 million Euros, and MÁSMOVIL decided to pay all of this amount in shares, the maximum number of shares to be delivered would be three hundred thousand (300,000) shares, the result of dividing the amount of 7.5 million Euros from 25 Euros per share. Rounding will occur at the lowest value, and new shares or treasury shares may be used.

On the other hand, on April 10, 2015, the Group, through the Parent Company, acquired a 100% interest in the company Embou Nuevas Tecnologías, S.L., transferring 100% of the shares in favour of the subsidiary, MÁSMOVIL Telecom 3.0, S.A.U.

The purchase price was composed of the following items:

- An effective payment of 1,750 thousand Euros.
- A variable price depending on whether the acquired company reaches and meets certain objectives in the years 2015, 2016, 2017 and 2018. If these objectives are met for each of the years, the following amounts must be paid to the seller: 485 thousand Euros for each of the years 2015 and 2016, 970 thousand Euros for 2017 and 1,000 thousand Euros for 2018. At year-end 2016, the fair value of the deferred payment was estimated at 1,308 thousand Euros (1,528 thousand Euros in 2015).
- A deferred price consisting of the delivery to the purchaser on January 2, 2018 of the amount of 175,000 shares of the parent company (MÁSMOVIL IBERCOM, S.A.), valued at the time of the transaction for a total of 3,150 thousand Euros, which represents a share price of € 18 and is recorded under the heading Other Equity Instruments.

This operation is described in detail in sections 9.2.1 and 10.1.1 of this Prospectus.

**Information and conditions of any acquisition right and / or bonds with respect to authorized but not issued capital or a commitment to increase capital**

Not applicable.

Information on any capital of any member of the group that is under option or that has been conditionally or unconditionally agreed to submit to the option, and details of those options, including the persons to whom those options are addressed

The MÁSMOVIL Group has not granted any option that is in force on the shares of the latter, apart from the provisions of section 21.1.4 above.

Evolution of share capital, highlighting information on any changes during the period covered by historical financial information

The table below shows the main characteristics of the variations registered in the Company's share capital:

(in Euros)	Capital increase 30.05.2014	Capital increase 30.05.2014	Capital increase 11.07.2014	Capital increase 29.05.2015	Capital increase 23.06.2016
	Non-monetary contributions	Non-monetary contributions	Monetary contributions	Credit compensations	Monetary contributions
Countervalue increase	498.782	903.728	912.546	1.051.435	1.176.696
Social capital before the expansion					
Number of shares before the expansion	4.987.815	9.037.279	9.125.462	10.514.350	11.766.956
Nominal price per share	0	0	0	0	0
Share premium per share	8	20	18	17	20
Total price per share	8	20	18	17	20
Number of new shares issued	4.049.464	88.183	1.388.888	1.252.606	8.184.144
Nominal amount of the increase	404.946	8.818	138.889	125.261	818.414
Share premium	33.140.813	1.748.006	24.861.095	20.999.739	160.000.015
Total amount of the increase	33.545.760	1.756.824	24.999.984	21.125.000	160.818.430
Social capital after the increase	903.728	912.546	1.051.435	1.176.696	1.995.110
Number of shares after the increase	9.037.279	9.125.462	10.514.350	11.766.956	19.951.100

## **21.2. By-laws and articles of incorporation**

Description of the corporate purpose and purposes of the Issuer and where they can be found in the by-laws and articles of incorporation

Article 3 of the By-Laws establishes the following:

*Article 3 - SOCIAL PURPOSE:*

*The purpose of the Company is:*

- (a) *The provision of telecommunications services through the operation of networks or the resale of telephone service, mobile telephony, fixed, Internet and television, and the development of computer applications.*
- (b) *The provision and commercialization of all types of works, services and activities of their own or related to or through a computer network.*
- (c) *Advice and consultation in the area of computers and telecommunications. Business analysis and software and hardware technical collaboration. The application and teaching on computer and telecommunications applications. Advice on strategic and operational planning. The organization of human and material resources and the carrying out of business studies and reports, and the advice and consultancy for the exploitation of companies operating in telecommunications and business strategy.*
- (d) *The sale, distribution, import, export, maintenance and service of all types of products*

*and services related to computers and telecommunications in terms of hardware, software and Internet, as well as the distribution and sale of any product and service through Internet, infovia or any other telematic network similar, complementary or substitute to the existing ones.*

- (e) *The provision of services to third parties of studies, projects and technical and investment advice in the field of telecommunications and computer applications. This section expressly includes management support services.*

*The CNAE corresponding to the main activity of the corporate purpose is 6.190 ("other telecommunications activities"). Likewise, the CNAEs corresponding to the remaining activities included in the corporate purpose are 4.741 ("retailing of computers, computer equipment and software in specialized establishments") and 6.201 ("computer programming activities").*

*Financial management, tax and accounting administration, collections, payments, treasury management, human resources and personnel management, computer services, procurement and any other services necessary for the good end of the corporate purpose.*

*The activities that integrate the corporate purpose may also be developed by the Company, in whole or in part, indirectly in any of the ways permitted by law and, in particular, by participation in other companies with the same or similar purpose."*

MÁSMOVIL's By-Laws, the Regulations of the General Meeting, the Regulations of the Board of Directors and the Internal Code of Conduct are available to the public and can be consulted at the registered office of the Company, as well as from the date on which the shares of the Company are admitted to official trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Company's corporate website ([www.grupomásmovil.com](http://www.grupomásmovil.com)) and CNMV's website ([www.cnmv.es](http://www.cnmv.es)). Additionally, the By-Laws, the Regulations of the General Meeting and the Regulations of the Board of Directors may be consulted at the Mercantile Register of Madrid.

Brief description of any provision of the Articles of Incorporation or the internal regulations of the Issuer relating to members of the administrative, management and supervisory bodies

The functioning and composition of the Board of Directors of MÁSMOVIL is regulated by Articles 30 to 40 of the Articles of Incorporation and in the Regulations of the Board of Directors. The functions of the Committees of the Board of Directors are set out in articles 13 to 21 of the Regulations of the Board of Directors.

Below is a brief description of the main content of the provisions of the By-Laws and of the Regulations of the Board of Directors, which include the Board of Directors regime. The description of the operating regimes and the composition of the Audit and Control Committee and of the Appointments and Remuneration Committee can be found in section 16.3 of the Registration Document of this Prospectus.

*21.2.1.1. Role and responsibilities*

The Board of Directors is the highest management and representation body of the Company and is therefore empowered to adopt or carry out any agreements, legal acts or transactions for the development of the corporate purpose, except those reserved by Law or By-Laws to the exclusive competence of the General Meeting.

Notwithstanding the foregoing, the Board of Directors is basically a supervisory and control body, commanding the ordinary management of the Company to the executive directors and the management team of the Company.

No legal or statutory powers reserved exclusively to the Board of Directors, nor those other necessary for a responsible exercise of its basic supervision and control function, may be subject to delegation.

In the scope of its supervisory and control functions, it is incumbent, among others, on the Board of Directors acting in full, the following non-delegable powers:

- a) The supervision of the effective functioning of the commissions that were constituted and of the action of the delegated and directive entities that were designated.
- b) The determination of the general policies and strategies of the Company.
- c) The authorization or waiver of the obligations arising from the duty of loyalty in accordance with the provisions of the applicable legislation.
- d) Your own organization and operation.
- e) The preparation of the annual accounts and their presentation to the General Meeting.
- f) The formulation of any kind of report required by Law to the Board of Directors provided that the operation to which the report refers cannot be delegated.
- g) The appointment and dismissal of the Chief Executive Officers of the Company, as well as the establishment of the conditions of their contract.
- h) The appointment and dismissal of directors who have direct dependence on the Board or any of its members, as well as the establishment of the basic conditions of their contracts, including their remuneration.
- i) Decisions regarding the remuneration of directors, within the statutory framework and, when applicable, the remuneration policy approved by the General Meeting.
- j) The convening of the General Shareholders' Meeting and the preparation of the agenda and the proposed resolutions.
- k) The policy regarding shares.
- l) The powers that the General Meeting had delegated to the Board of Directors, unless it had been expressly authorized by it to sub-delegate them.
- m) The approval of the strategic or business plan, the annual management and budget objectives, the investment and financing policy, the corporate social responsibility policy and the dividend policy.
- n) The determination of the policy of control and risk management, including prosecutors, and the supervision of internal information and control systems.
- o) The determination of the corporate governance policy of the Company and of the group of which it is a dominant entity; its organization and operation and, in particular, the approval and modification of its own regulations.
- p) The approval of the financial information that, due to its status as listed, must be periodically disclosed to the public by the Company.
- q) The definition of the structure of the group of companies of which the Company is a dominant entity.

- r) The approval of investments or operations of any type that, due to their high amount or special characteristics, have a strategic or special fiscal risk, unless their approval corresponds to the General Meeting.
- s) The approval of the creation or acquisition of shares in special purpose entities or domiciled in countries or territories considered as tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could impair the transparency of the Company and its Group.
- t) The approval, following a report from the Audit and Control Committee, regarding the operations carried out by the Company or companies of its group with directors, under the terms of applicable law, or with shareholders, individually or with others, of a significant share, including shareholders represented on the Board of Directors of the Company or other companies that are part of the same group or with persons related to them. The directors affected or who represent or are related to the affected shareholders should refrain from participating in the deliberation and voting of the agreement in question. Except for this approval, operations that simultaneously meet the following three characteristics:
  - o That are carried out under contracts whose conditions are standardized and are massively applied to a large number of customers;
  - o That are made at prices or tariffs generally established by who acts as the supplier of the good or service in question; and
  - o That its amount does not exceed one percent of the annual income of the Company.
- u) The determination of the fiscal strategy of the Company.
- v) Any other powers considered by the applicable law that the Board of Directors cannot delegate.

Where duly substantiated circumstances of urgency are present, the decisions relating to the preceding cases in points m), n), p), q), r), s), t) and u) may be adopted by the delegated entities or persons to be ratified at the first Board of Directors held after the adoption of the decision.

Likewise, in the scope of its supervisory and control functions, the Board of Directors has the following powers regarding corporate governance of the Company and regulatory compliance, which may in any case be delegated:

- a) Promote the corporate governance strategy of the Company.
- b) Supervise compliance with the legal requirements and the rules of the Company's corporate governance system.
- c) Supervise, prior to its approval, the Annual Corporate Governance Report of the Company, seeking for this purpose the reports of the Audit and Control Committee and of the Appointments and Remuneration Committee in relation to the sections of said report that are of their competencies.
- d) Examine the degree of compliance by the Company with the recommendations of good governance generally recognized and, if applicable, by the other Group companies.
- e) Supervise the proposals to amend the Code of Ethics.

- f) Receive information from the Compliance Officer regarding initiatives to modify the Code of Ethics and any relevant issues for the promotion of knowledge and compliance with the Code of Ethics.
- g) Review, through the Compliance Officer, the Company's internal policies and procedures to verify its effectiveness in preventing inappropriate conduct and identify possible policies or procedures that are most effective in promoting the highest ethical standards.
- h) Review and ratify the annual budget for the prevention of criminal matters of the Group, for its submission to the Board of Directors through its Chairman, and its annual plan of activities, and to supervise that the Compliance Officer has the necessary material and human resources for the fulfilment of their functions.

Under the supervision of the Board of Directors, there will be an internal compliance function exercised by an internal unit or department of the Company. In this sense, the Compliance Officer will report directly to the Board of Directors, on a regular basis, on the degree of compliance with the internal compliance function.

Likewise, the Board of Directors shall carry out an annual evaluation of its performance and functioning and of its members, as well as of the bodies and Committees that may have been constituted, using for that purpose the internal and external means it deems appropriate, and propose, on the basis of its outcome, an action plan correcting the identified deficiencies.

Every three (3) years, the Board of Directors shall be assisted to carry out the evaluation by an external consultant, whose independence shall be verified by the Appointments and Remuneration Committee.

The result of the evaluation will be recorded in the minutes of the session or will be incorporated as an annex.

In any case, the Board of Directors will establish and promote as one of the fundamental values of the organization that the actions of its members always comply with the legal system in general, especially when it comes to the criminal legal system, promoting a culture of compliance or regulatory compliance within the Group.

In relation to the Group Companies, the Board of Directors of the Group, within the legal limits, will establish the basis for an adequate and efficient coordination between the Company and the companies that make up that Group, respecting in any case the autonomy of decision of its management bodies and executives, in accordance with the Company's own social interest and the social interest of each of said companies.

For the purposes mentioned and within the above limits, the Board of Directors of the Company shall establish adequate coordination relationships based on mutual interest and, therefore, with respect to their respective social interests.

The Board of Directors will perform its functions in accordance with the Company's interest and, in this sense, will act to ensure the long-term viability of the Company and maximize its value, as well as weighing legitimate public or private plural interests in the development of all business activity. In this regard, in the pursuit of social interest, and in addition to respect for laws and regulations and behaviour based on good faith, ethics and respect for commonly accepted practices and good practices, the Board of Directors will seek to reconcile its own social interest with, as appropriate, the legitimate interests of its employees, suppliers, customers and other stakeholders that may be affected, as well as the impact of the Company's activities on the community as a whole and environment.

The Board of Directors will approve a policy of full information and transparency in relation to markets.

The Board of Directors shall perform its functions with unity of purpose and independence of judgment, giving equal treatment to all shareholders of the Company who are in the same position and guided by the social interest. It shall ensure that its relations with the shareholders of the Company comply with applicable laws and regulations, comply in good faith with their obligations and contracts, respect the uses and good practices of the sectors and territories where they may exercise their activity, and observe those additional principles of social responsibility that were voluntarily accepted.

#### *21.2.1.2. Structure and composition*

Pursuant to Article 31 of the By-Laws and Article 8 of the Regulations of the Board of Directors, the Board of Directors shall be composed of a minimum of five (5) and a maximum of fifteen (15) directors, elected in the General Meeting, which will decide the exact number. The directors may not be shareholders of the Company.

Likewise, the General Meeting may at any time revoke the appointments made.

The General Meeting shall determine the exact number of directors within the limits indicated by express agreement or indirectly, by providing vacancies or appointing new directors within the limits indicated above.

The Board of Directors shall propose to the General Meeting the number of directors who, in accordance with the circumstances that affect the Company, within the limits mentioned above, is more appropriate for the Company's situation and ensures the effectiveness and proper representativeness of this entity.

The appointment of the members of the Board of Directors is a responsibility of the General Meeting, without prejudice to the power that the Board of Directors has to designate by voice co-optation in the event of a vacancy and without prejudice to the system of proportional representation that corresponds to the shareholders in the terms established in the Law. The nomination or re-election proposal of the members of the Board of Directors is the responsibility of the Appointments and Remuneration Committee, in the case of independent directors, and of the Board, in other cases. The Board of Directors shall be composed of (i) non-executive or external directors and (ii) executive directors.

The Board of Directors shall be composed of (i) non-executive or external directors and (ii) executive directors.

The Board of Directors shall also ensure that, within the majority group of non-executive directors, the holders of significant stable shareholdings in the capital of the Company or persons indicated by them (external proprietary directors) are included, as well as professionals of recognized prestige who are not related to the Company, the executive team or significant shareholders (independent external directors), taking into account in this regard the shareholding structure of the Company at any time.

If there is an external director that cannot be considered as proprietary or independent, the Company will explain this circumstance and its links.

The Company will make public through its website, which will be kept updated, the following information about its directors: (i) professional and biographical profile; (ii) other boards of directors to which they belong, whether or not they are listed companies, as well as any other paid activities performed by them, whatever their nature; (iii) an indication of the category of director to which they belong, indicating, in the case of proprietary directors, the shareholder they represent or with whom they have links; (iv) the date of their first appointment as director in the Company, as well as subsequent re-elections; and (v) shares of the Company, and options thereon, of which they hold.

The definitions of the different categories of directors shall be established in the Regulations of the Board of Directors and shall be in accordance with the applicable legislation in this regard.

Directors shall serve for four (4) years, and may be re-elected, for one or more periods of equal duration. Once the term has expired, the appointment will expire, either when the next General Meeting has been held or when the legal term for the holding of the Ordinary General Meeting has elapsed.

If vacancies occur during the term for which they were appointed, the Board may designate persons to fill it until the first General Meeting is held.

Those persons who are affected by any cause of incompatibility, incapacity or legal prohibition, among those established in the applicable legislation in force, may not be directors.

Likewise, directors or individuals who exercise the position of director may not be appointed on more than three (3) boards of directors, in addition to that of the Company, of companies whose shares are admitted to trading on an official secondary stock market.

#### *21.2.1.3. Duties of directors*

The members of the Board of Directors shall comply with the duties imposed by the applicable legislation, the By-Laws, the Internal Code of Conduct in the Securities Markets, the Regulations of the General Meeting and the Regulations of the Board of Directors, with the diligence of an orderly businessman and the loyalty of a loyal representative, acting in good faith and in the best interest of the Company, taking into account the nature of the position and the functions attributed to each one of them.

In this way, the directors will carry out their duties with the diligence of an orderly businessman and the loyalty of a faithful representative, acting in good faith and in the best interest of the Company, taking into account the nature of the position and the functions attributed to each one of them.

The directors must have the proper dedication and adopt the necessary measures for the good management and control of the Company.

In the performance of its duties, the director has the duty to demand and the right to collect from the Company adequate and necessary information to fulfil its obligations.

In the area of strategic and business decisions, subject to corporate discretion, the standard of diligence of an ordained businessman will be understood to have been fulfilled when the director has acted in good faith and without personal interest in the subject matter of decision, with sufficient information and in accordance with an appropriate decision procedure.

Those decisions that personally affect other directors and related persons shall not be included within the scope of corporate discretion.

Likewise, article 27 of the aforementioned Regulations establishes the duty of loyalty, by which the directors must hold the position with the loyalty of a faithful representative, acting in good faith and in the best social interest of the Company. To that end, directors must comply with the following obligations and prohibitions:

- Do not exercise their powers for purposes other than those for which they have been granted.
- Notwithstanding the subjection of all members of the Board of Directors to the Securities Market Law and the regulations it develops in matters of market abuse, especially as regards the treatment of relevant and privileged information, the director shall keep

secrecy of the deliberations of the Board of Directors and of the delegated bodies or Committees of which it is part and, in general, will not disclose the information, data, reports or background to which it has had access in the exercise of its position.

- The obligation of confidentiality shall subsist even if it has ceased to hold office, except in cases where the law permits or requires it.
- Refrain from participating in the deliberation and voting of agreements or decisions in which it or a related person has a direct or indirect conflict of interest.
- Notwithstanding the foregoing, directors affected by proposals for appointment, re-election or dismissal shall refrain from intervening in the deliberations and voting on such matters. The votes of the Board of Directors or of the Commission in question on these matters may be secret if requested by any of its members.
- Perform your duties under the principle of personal responsibility with freedom of judgment and independence with respect to instructions and links of third parties.
- Adopt the necessary measures to avoid incurring situations in which their interests, whether for their own account or for others, may conflict with the social interest and with their duties towards the Company. In particular, the duty to avoid situations of conflict of interest obliges the director to refrain from:
  - Carry out transactions with the Company, except in the case of ordinary operations, made in standard conditions for customers and of minor relevance, being understood as such those information that are not necessary to express a true and fair view of the assets, financial situation and results of the entity.
  - Use the name of the Company or invoke its status as a director to unduly influence the conduct of private operations.
  - Make use of the social assets, including confidential information of the Company, for private purposes.
  - Take advantage of the business opportunities of the Company.
  - Obtain benefits or remunerations from third parties other than the Company and its group associated with the performance of their duties, except in the case of courtesy.
  - Carry out activities for its own account or for the account of others that imply effective competition, whether current or potential, with the Company or that, in any other way, place it in a permanent conflict with the interests of the Company.

The foregoing provisions shall also apply in the event that the beneficiary of the prohibited acts or activities is a person related to the director.

In any case, directors must communicate to the other directors and, as the case may be, to the Board of Directors, any direct or indirect conflict situations that they or persons related to them may have in the interest of the Company.

The situations of conflict of interest incurred by directors will be included in the report.

For the aforementioned purposes, the persons established in the legislation in force in this regard at any time shall be considered as persons related to the directors.

The regime regarding the duty of loyalty and the responsibility for its infringement is imperative.

Notwithstanding the foregoing, the Company may waive the prohibitions contained in the preceding article in individual cases authorizing the use by a director or a related person of a certain transaction with the Company, the use of certain social assets, the use of a concrete business opportunity, obtaining an advantage or compensation of a third party.

The directors affected or who represent or are related to the affected shareholders should refrain from participating in the deliberation and voting of the agreement in question.

The authorization must necessarily be agreed by the General Meeting when it is intended to exempt from the prohibition of obtaining an advantage or remuneration of third parties, or affects a transaction whose value is higher than ten percent (10%) of the social assets. The authorization may also be granted by the Board of Directors provided that it is guaranteed the independence of the members that grant it with respect to the director dismissed. In addition, it will be necessary to ensure the safety of the authorized operation for the social assets or, where appropriate, their realization under market conditions and the transparency of the process.

The obligation not to compete with the Company can only be waived in the event that it is not possible to expect damage to the Company or the one who can expect to be compensated for the benefits expected to be obtained from the exemption. The waiver shall be granted by express agreement and separate from the General Meeting.

In any case, at the request of any shareholder, the General Meeting shall decide on the removal of the director who carries out competitive activities when the risk of prejudice to the Company has become relevant.

Finally, article 32 of the Regulations of the Board of Directors regulates the duties of information of the directors.

#### *21.2.1.4. Meeting and call*

Pursuant to Article 32 of the By-Laws and Article 12 of the Regulations of the Board of Directors, the Board of Directors must meet at least eight (8) times a year and necessarily one (1) time per quarter, and whenever required by the social interest, at the initiative of its Chairman or whoever acts, and whenever requested by a director through a certified letter to the Chairman. If a call is requested by a director, the Chairman must call it within a maximum period of fifteen (15) days from the receipt of the request.

The meetings shall be convened by letter, fax, telegram or electronic mail, or by any other means, and may be carried out by the Secretary, by order of the Chairman, or by the President itself. The call will be made at least five (5) days in advance and must include the agenda of the session, without prejudice to the fact that each director may propose another agenda that was initially not planned. The call made at the meeting of the Board of Directors for the following will also be valid.

In ordinary sessions, the Board of Directors will address the general progress and economic results of the Company and, if applicable, its subsidiaries, as well as matters referred to in Article 5 of the Regulations of the Board of Directors, if applicable and, in any case, the other items included in the agenda.

The extraordinary sessions of the Board of Directors may be convened by telephone, and the deadline and the other requirements indicated in the previous section will not be applicable, when the circumstances justify it in the opinion of the Chairman.

The Board of Directors shall be validly constituted when half plus one (1) of its members attend the meeting, present or represented. Directors shall make every effort to attend the meetings of

the Board of Directors, reducing absences to indispensable cases and, when they cannot do so personally, delegate their representation with instructions in writing, telegram, fax or email for each Board of Directors. Notwithstanding the foregoing, non-executive directors may only delegate their representation to another non-executive director. By decision of the Chairman, any person, director or not of the Company, who considers it appropriate, and who will have the status of guest or observer, may attend the meetings, to whom the Chairman must report on the duty of confidentiality on what is discussed or deliberate at such meetings on the same terms as for directors pursuant to Article 27.2 of the Regulations of the Board of Directors. The Board of Directors shall deliberate and agree on the matters included in the agenda and also on all those that the Chairman or the majority of the directors, present or represented, propose for reasons of urgency, even if they were not on the agenda informed with the call, which will be duly recorded in the minutes.

The Chairman of the Board of Directors, with the collaboration of the Secretary, shall ensure that directors have prior and adequate notice of the information necessary for the deliberation and adoption of agreements on matters to be dealt with that have been defined in the agenda of day, unless the Board of Directors had constituted or had been exceptionally convened for reasons of urgency.

During the sessions, the directors will receive the necessary information to form an opinion in relation to each of the items on the agenda, while the Chairman and the Secretary will be responsible for the preparation of said information.

Directors should express their opposition clearly when they consider that any proposal for a decision submitted to the Board of Directors may be contrary to the corporate interest, as well as in the case of decisions that may prejudice shareholders who are not represented on the Board of Directors.

The minutes of the meeting shall be recorded on those statements by the directors or the Secretary expressing their concern about the progress of the Company in respect of a particular matter or proposal, respectively, when that matter or proposal is not resolved by the Board of Directors and such evidence is expressly requested.

The deliberations and resolutions of the Board of Directors will be taken to a book of minutes, which will be signed by the Secretary with the approval of whoever acted as Chairman of the session. The minutes shall be approved by the Board of Directors at the end of the meeting or the next meeting. They shall also be deemed approved when, within five (5) days of receiving the draft minutes, no director has made any reservations.

#### *21.2.1.5. Majority for the adoption of agreements*

Pursuant to Article 34 of the By-Laws and Article 12 of the Regulations of the Board of Directors, resolutions shall be adopted by an absolute majority of votes of the directors present or represented at the meeting. The Chairman or those who take his turn shall direct the deliberations, leaving the agenda and the voting method to his prudent discretion. Voting in writing and without a session will only be allowed when no director opposes this procedure.

The provisions of this section shall be understood without prejudice to the agreements required by Law, the By-Laws or the Regulations of the Board of Directors, to require reinforced quorums for their adoption.

Decisions regarding any matter related to the matters detailed below may only be adopted with the favourable vote of at least three quarters (3/4) of the members of the Board of Directors:

- Approval of a business plan other than the MÁSMOVIL Group business plan or an annual budget that differs materially from the MÁSMOVIL Group business plan;

- Destitution or appointment of first level managers, i.e. Chief Executive Officer or Chief Financial Officer of any operating company controlled by the Company;
- Change in the national roaming agreement entered into by the Company (described in section 5.2.1 of this Prospectus, as well as in item 22.1 below entitled "Network and mobile service agreements" dated October 7, 2016); and
- Realization of investments of more than five million Euros (5,000,000 Euros) that are not contemplated in the MÁSMOVIL Group business plan.

In the event that a quantity with decimals results from the calculation of the three quarters (3/4) parts of the members of the Board of Directors referred to above, it must be rounded up or down to the nearest unit. If the decimal is exactly half of a unit, the rounding will be done at the top figure.

The strengthening of the majorities provided for in the preceding paragraph will be in force and, therefore, will be binding on the Company and its directors until December 31, 2019. Therefore, after that date, any matter related to the merited matters will be adopted, with the absolute majority of votes of the directors, present or represented, at the meeting.

#### *21.2.1.6. Relations with shareholders*

Pursuant to Article 33 of the Regulations of the Board of Directors, the Board of Directors shall promote the continuous and adequate information of its shareholders, the permanent contact with them and their involvement in social life, establishing the channels of participation through which the Company seeks its involvement, with the appropriate guarantees and coordination mechanisms. In particular, the Board of Directors shall determine the appropriate channels for the proposals that may be formulated by shareholders in relation to the management of the Company.

With the collaboration of the members of the management team that the Chairman or, as the case may be, the Chief Executive Officer, deems appropriate, regular information meetings on the progress of the Company may be established with those investors, particularly institutional investors, who form part of the shareholder of the Company with a significant financial participation and are not represented on the Board of Directors, ensuring that all shareholders and markets in general have the same information on the progress of the Company and its investees, so that in no event such relationship with the shareholders violates the principle of parity of treatment of shareholders, granting them a privilege or advantage over other shareholders.

The Board of Directors shall ensure, through the Audit and Control Committee, that transactions between the Company, the investees, directors, executives and shareholders with significant interests are carried out under market conditions and with respect to the principle of parity of treatment.

The Board of Directors shall promote the informed participation of the shareholders in the General Shareholders' Meetings and shall adopt such measures as may be appropriate to facilitate that the General Shareholders' Meeting effectively exercise its functions under the Law, the By-Laws and the Regulations of the General Shareholders' Meeting.

Public requests for delegation of votes made by any member of the Board of Directors on the occasion of the General Shareholders' Meeting shall establish the direction in which the representative will vote if the shareholder does not give instructions and, if applicable, disclose the existence of conflicts of interest.

#### *21.2.1.7. Relations with the Securities Markets*

Pursuant to Article 34 of the Regulations of the Board of Directors, the Board of Directors, through its Chairman, Chief Executive Officer, or its Secretary, shall immediately inform the markets of any facts relevant to the formation of shares, of the substantive changes in the shareholder structure of which it has knowledge, in compliance with the current regulations, and of the substantial changes in the rules governing the Company.

Likewise, the Board of Directors, through the Audit and Control Committee, will take cognizance of the financial information process periodically made available to the markets and the Company's internal control systems in this regard.

Description of rights, preferences and restrictions for each class of existing actions

All MÁSMOVIL shares currently in circulation, as these are all ordinary shares and belonging to a single class and series, grant their holders the same political and economic rights, as set forth in the Spanish Companies Act and in the By-Laws of MÁSMOVIL. These rights are those detailed in section 4.5 of the Note on Shares which forms an integral part of this Prospectus.

Description of what should be done to change the rights of the holders of the shares, indicating if the conditions are more significant than those required by law

The amendments to the rights of the shareholders in which MÁSMOVIL's capital stock is divided will require the appropriate statutory amendment, which, if it affects only one part of the shares and entails discriminatory treatment between them, must be approved by the majority of the affected shares. The By-Laws of MÁSMOVIL do not include any special clause, in this sense, of the provisions of the Spanish Companies Act.

Description of the conditions governing the manner of convening the annual general meetings and the extraordinary general shareholders' meetings, including the conditions of admission

The requirements for convening the General Shareholders' Meeting of the Company and the exercise by the shareholders of their rights related to the General Shareholder's Meeting are regulated in articles 14 to 29 of the By-Laws and are elaborated in detail in the Regulations of the General Shareholder's Meeting of MÁSMOVIL. The Ordinary General Meeting, previously called for this purpose, will necessarily meet within the first six months of each fiscal year to censor the social management and approve, where appropriate, the accounts of the previous year and resolve on the application of the result. Any other General Meeting shall be considered an Extraordinary General Meeting and shall meet whenever it is convened by the Board of Directors of the Company on its own initiative or by virtue of the request of shareholders who hold at least three percent (3%) of the Company's capital stock, expressing in the request the matters to be discussed at the General Meeting.

The Ordinary General Meeting, with the agenda referred to in the previous paragraph and the Extraordinary General Meeting, may be convened and held to deliberate and adopt resolutions on any other matter that falls within the competence of the General Meeting.

Whenever the totality of the Company's capital is present or represented, they may unanimously decide to constitute a Universal Board to deal with any matter.

Brief description of any provision of the By-Laws or internal regulation of the Issuer that has the effect of delaying, deferring or preventing a change in the control of the Issuer

There are no existing statutory provisions or internal regulations that have the effect of delaying, postponing or preventing a change of control in MÁSMOVIL.

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

Indication of any provision of the statutory clauses or internal regulations, if applicable, governing the participation threshold above which shareholder participation must be disclosed

The conditions to be met by changes in the capital stock of MÁSMOVIL are governed by the provisions of the Capital Companies Act. MÁSMOVIL's By-Laws do not establish any special conditions.

Description of the conditions imposed by the statutory clauses or internal regulations governing changes in capital, if these conditions are more stringent than those required by law

The conditions to be met by changes in the capital stock of MÁSMOVIL and the respective rights of the shares of MÁSMOVIL are governed by the provisions of the Capital Companies Act, not establishing the Company's Bylaws any special condition.

## **22. RELEVANT CONTRACTS**

### **22.1. Include a summary of each major contract, concluded during the two (2) years immediately preceding the publication of the registration document**

The main current contracts signed by the MÁSMOVIL Group companies during the last two (2) years are as follows:

#### **Contracts for the sale of companies and business units**

Pepeworld, S.L., Pepemobile, S.L., Pepemobile Latam, S.L. and Pepe Energy, S.L. (Pepephone)

On September 13, 2016, the public share purchase agreement of Pepeworld, S.L., Pepemobile, S.L. and Pepe Energy, S.L. under which MÁSMOVIL acquires the mentioned companies for the total price of 158 million Euros.

This contract is detailed in section 9.2.1 of this Prospectus.

Contracts for the acquisition of Xfera Moviles, S.A. (Yoigo)

On June 20, 2016, the contracts for the transmission of all of Xfera Moviles, S.A.'s shareholdings were signed. Of which Telia Company AB (Publ), ACS Telefonía Movil, S.L., Siema Investment, S.L. and Fomento de Construcciones y Contratas, S.A. as well as the assignment of the existing participatory loans between said shareholders and Xfera Moviles, S.A. These contracts were raised to the public on October 5, 2016.

In turn, on June 20, 2016, a contract for the recognition of debt and commitment to take over debt and capitalization of MÁSMOVIL was presented to the public vis-à-vis ACS Telefonía Movil, S.L. for a minimum amount of 120 million Euros, which can reach 200 million Euros if certain conditions are met. Such debt will accrue a fixed interest rate of 2% and a variable interest rate of 3% provided that certain conditions set out in the contract itself are met.

In turn, on June 20, 2016, a contract for the recognition of debt and commitment to take over debt and capitalization of MÁSMOVIL was presented to the public against Fomento de Construcciones y Contratas, S.A. for a minimum amount of € 24,282,353, which may reach € 40,470,588.24 in the event that certain conditions are met. Such debt will accrue a fixed interest rate of 2% and a variable interest rate of 3% provided that certain conditions set out in the contract itself are met. On February 7, 2017, the assignment of the aforementioned debt recognition contract to Grupo MÁSMOVIL was made public for a total amount paid by MÁSMOVIL of 29,138,822.93 Euros, thus leaving the previous contract, When MÁSMOVIL amortized this debt and the assumed capitalization obligation.

In turn, on June 20, 2016, a Debt-recognition and Debt-and-Commitment Agreement of MÁSMOVIL was presented to the public against Siema Investment, S.L. for a minimum amount of € 21,176,471, which may reach an additional amount of up to € 14,117,646.65 (earn-out) in the event that certain conditions are met. Such debt will accrue a fixed interest rate of 2% and a variable interest rate of 3% provided that certain conditions set out in the contract itself are met. On October 5, 2016, the assignment of the aforementioned debt recognition contract to MÁSMOVIL was made public for a total amount paid by MÁSMOVIL of € 20,626,187.97, thus leaving the previous contract at Amortize MÁSMOVIL this debt and the assumed capitalization obligation.

This contract is detailed in section 9.2.1 of this Prospectus.

Contract of sale of the Business Unit of Llamaya Movil, S.L.U.

On January 31, 2017, the purchase and sale agreement of Llamaya Movil, S.L.U. for a fixed amount of 29,691 thousand Euros (24,891 thousand Euros of cash payment and a deferred payment of 4,800 thousand Euros to be paid by bank check at 18 months from the date of closing of the transaction) and another variable amount of Up to 12,000 thousand Euros linked to the achievement of operational parameters established between the parties.

Under this contract the autonomous economic unit owned by the seller was acquired, capable of developing the business or professional activity of virtual mobile operator by its own means.

The economic conditions of this contract are detailed in section 21.1.4 above of this Registration Document.

This agreement is detailed in section 5.1.5.3, 7.1 and 12.1 of this Prospectus.

## **Financing Agreements**

### Providence Convertible Loan dated July 12, 2016

On October 4, 2016, the loan agreement dated July 12, 2016 was published, under which MÁSMOVIL reached an agreement with the private equity company Providence Equity Partners L.L.C. Through its subsidiary Providence, by which it committed to invest between 165 million Euros and 200 million Euros in MÁSMOVIL through a long-term convertible, which, assuming the total conversion of said instrument, meant that Providence To be the main shareholder of MÁSMOVIL. Said agreement resulted in an issue of convertible debentures for a final amount of 165 million Euros that was fully subscribed by Providence, and the issue was recorded in the Mercantile Register of Guipuzcoa, dated September 28, 2016.

As part of the agreement, Providence has two seats on MÁSMOVIL's Board of Directors, enabling the Company to benefit from Providence's important sectoral expertise. These positions, like that of the other Directors of the Company, have no veto rights, i.e. the Proprietary Directors of Providence on the Board of Directors of MÁSMOVIL have the right to vote, but not to veto, since they do not May veto any resolutions adopted by a majority of the Board of Directors of the Company. The importance of the agreement was due not only to Providence's experience in the telecommunications sector, but also to the support it provided to the financing process for Pepephone and Yoigo acquisitions.

The convertible loan subscribed by Providence has eight (8) years of life, a 6.35% annual coupon (payable quarterly, of which 50% may be in cash and the remaining 50% in kind, at MÁSMOVIL's will). The conversion price has been set at € 22 per share, the conversion is voluntary, and can only be executed after three (3) years and three (3) months after its issue.

The convertible is illiquid (not quoted) and its issuance does not involve any type of commission for Providence, while it does not contemplate the possibility of early maturity, nor repayment of the principal before maturity, although if the traditional antidilution and other clauses.

This contract is detailed in section 10.1.1 and 10.1.2.4 of this Prospectus.

### Junior Subordinated Loan subscribed by MÁSMOVIL, and other Group companies, with Societe Generale, branch in Spain

On October 5, 2016, a junior financing agreement was entered into between MÁSMOVIL and other companies of the Group and Societe Generale, a branch in Spain for a total amount of 95,500 thousand Euros, with a maturity date on 30 June 2022. This loan accrues an annual interest during:

- The first twenty-four (24) months: Euribor (1% minimum) + 4.5 percentage points (Cash Interest margin) + 9 percentage points (PIK Interest).

- The following months to maturity: Euribor (1% minimum) + 4.5 percentage points (Cash Interest margin) + 8.25 percentage points (PIK Interest).

This contract is detailed in section 10.1.2.1 of this Prospectus.

Senior Syndicated Loan subscribed by MÁSMOVIL, and other Group companies, with Banco Santander, S.A. as an agent and other financial entities

On October 5, 2016, a senior financing agreement was entered into between MÁSMOVIL and other Group companies and Banco de Santander, S.A. as an agent, and Societe Generale, a branch in Spain, BNP Paribas Fortis SA / NV, Caixabank, S.A., Banco de Sabadell, S.A. and Bankia, S.A. for a total amount of € 386,058,824, maturing on June 30, 2021, at a maximum interest rate of Euribor + 3.5%, which may be reduced depending on compliance with certain conditions set forth in the agreement itself Senior financing.

This contract is detailed in section 10.1.2.1 of this Prospectus.

**Contracts related to the fixed network: The Remedies**

On May 19, 2015, the European Commission approved the operation whereby Orange, S.A. is merged with Jazztel, plc. Under the fulfilment of certain commitments by Orange, S.A. The conditions include among other measures (remedies for reference):

- Remedies FTTH: Sale to a third party of the FTTH fibre network of Jazz Telecom, S.A.U. until reaching a footprint similar to the entire infrastructure of Orange FTTH at the end of the 2014 financial year. It is initially estimated at 13 plants in the provinces of Madrid, Barcelona, Valencia, Seville and Malaga, estimated at no more than 750,000 UUll (real estate units). In order to prevent Jazztel from having to replicate the already established network, the acquiring company will be obliged to transfer 40% of the network acquired.
- Remedies xDSL: An indirect access (bitstream) to the Jazztel copper network should be provided to the purchaser of the FTTH fibre for four years, which can be extended to eight at the request of the purchaser. It is established that the agreement offers economic conditions that allow a competitive service offer to the buyer.

In this context, and to fulfil the commitments made by Orange, S.A. Jazz Telecom, S.A.U. and the subsidiary MÁSMOVIL Broadband, S.A.U. signed the following agreements (the "Remedies"):

Remedies FTTH

- Jazz Telecom S.A.U. FTTH Network Purchase Agreement of July 31, 2015, under which MÁSMOVIL Broadband, S.A.U. acquires 733,385 real estate units of Jazztel's FTTH network, for the price of 89 million Euros (excluding VAT).

In addition to this FTTH Purchase Agreement, and in order that MÁSMOVIL Broadband, S.A.U. could start operating with the FTTH network immediately, a framework contract for the provision of temporary outsourcing services for the FTTH network being sold was signed on 31 July 2015, under which for a transitional period fixed in 12 months from the sale (extended for an additional 12 months), Jazz Telecom, SAU operates and manages, on behalf of MÁSMOVIL Broadband, SAU The network acquired by it. The amount payable by MÁSMOVIL Broadband is calculated on the basis of unit prices. The cost for this service in 2016 was 75,000 Euros with an estimate for 2017 of 400,000 Euros.

- Contract of assignment of use in favour of Jazz Telecom, S.A.U. of 40% of the FTTH network acquired by the Company on July 31, 2015: under this agreement Jazztel acquires an irrevocable use right (IRU) of up to 40% of the capacity of the FTTH network acquired by MÁSMOVIL Broadband, UAE Under the aforementioned Sales Contract. The term of the IRU is 35 years. Over a 35-year period, Jazz Telecom, S.A.U. must pay the amount of 69 million plus a monthly amount for maintenance.

The net of the two previous operations mentioned above represented, therefore, the payment by MÁSMOVIL Broadband, S.A.U of 20 million Euros (plus the net of the corresponding taxes). This amount was disbursed by MÁSMOVIL Broadband, S.A.U. in the first quarter of 2016.

- Contract for extension of the FTTH network of 31 July 2015. The agreement contemplates that additional connections (UUII) may be developed in the FTTH network owned by MÁSMOVIL Broadband, S.A.U. Jazz Telecom, S.A.U. will be in charge of executing the deployment and selling the property of the extended network to MÁSMOVIL Broadband, S.A.U. at the time of the sale, Jazz Telecom, S.A.U. a right of irrevocable use (IRU) for 40% of the network capacity sold for 35 years. The amount payable by MÁSMOVIL Broadband is calculated on the basis of unit prices. In this case, the net of the operation has currently involved the payment of 3,823,578 Euros by MÁSMOVIL Broadband, S.A.U.

#### Remedies xDSL

- Framework Contract for the provision of an indirect service on the copper network, dated July 31, 2015, under which MÁSMOVIL Broadband accesses the copper network of Jazz Telecom, S.A.U. in an indirect way (bitstream) to offer xDSL technology (ADSL mainly). The network extends to approximately 80% of the national territory, which is estimated at 18.6 million UUII (this service is supported on the wholesale offer of access to the subscriber loop of Telefonica de Espana, which has hosted Jazz Telecom, SAU and which allows access to 1,123 Telefonica units in the network of Jazz Telecom, SAU). Jazz Telecom, S.A.U. is committed to expand the network when necessary and to offer a single point of national connection.

The contract amounts to a fixed payment of € 29 million plus a monthly amount per line from MÁSMOVIL Broadband to Jazz Telecom, SAU, giving MÁSMOVIL Broadband unlimited access to the ADSL of the national Jazz Telecom network, UAE with a duration of up to eight years maximum (four years extendable in four more, extension exclusively subject to the will of MÁSMOVIL Broadband).

Economic conditions mean that MÁSMOVIL Broadband's offer can be competitive at all times.

These contracts are detailed in section 5.2.1 of this Prospectus.

**Other Contracts related to the fixed network: Contracts for mutualisation, contracts for the provision of access to fibre services (Addendums to the Mutualisation Contract), Broadband Data Access Services Contract and Contract for the provision of an FTTH traffic transport service from OLTs to 2 nodes of national interconnection.**

These contracts are detailed in section 5.2.1 of this Prospectus.

#### Mutualisation agreement with Orange (June 6, 2016)

On June 6, 2016, derived from the agreements included in the Remedies package related to the acquisition of assets by MÁSMOVIL in the context of the Jazztel Comunicaciones S.A.U. on behalf of Orange, MÁSMOVIL signed a contract with Orange for the mutualisation of new

generation networks ("FTTH") for a maximum total of 1 million real estate units ("UUII"). On October 7, 2016, an Addendum to this contract was signed, under which the scope of the agreement was extended.

As a result of the signing of the Mutualisation Contract together with its Addendum:

- MÁSMOVIL Broadband will deploy by itself up to a maximum of 1,250,000 UUII until 2019, mainly in areas of low competition (small populations), reaching the total investment expectation of 106,250,000 Euros.
- For this infrastructure Orange agrees to assign a right of irrevocable use to 20 years (plus three extensions of 10 years each). The agreement sets a payment, at the disposal of the right of use, by Orange by UI which may result in a maximum total payment by Orange to MÁSMOVIL of 113,500,000 Euros, and payment of network maintenance Based on the proportion of customers.
- On the other hand, MÁSMOVIL Broadband will acquire an irrevocable right to use 20 years (plus three extensions of 10 years each) on FTTH infrastructures owned by Orange, both the existing and new network to be developed within the current deployment plan of the Orange, reaching that agreement up to a maximum of 2,250,000 UUII. The deployment of Orange focuses on high-competition areas (large populations).
- MÁSMOVIL Broadband for each UI to Orange is made available to the payment of the right to use, being able to reach the total payment up to 181,500,000 Euros. A payment for network maintenance is also established in proportion to the number of customers.

#### Orange fibre service access contract (October 7, 2016)

On October 7, 2016, and as a complement to the Mutualisation Contract, contracts were signed under which MÁSMOVIL Broadband contracted to Orange for a fibre access service in regulated areas and zones Deregulated (as these are defined in the CNMC Resolution dated February 24, 2016), provided that Orange has FTTH coverage. In the case of the provision of fibre access service in the deregulated zone, a limitation of 250,000 simultaneous active lines is established during the first three years since the signing of the Addendum.

The monthly amount to be paid by MÁSMOVIL Broadband is calculated on the basis of unit prices. Currently the price paid monthly by MÁSMOVIL Broadband to Orange is 722,100 Euros.

#### Broadband Data Access Service Agreement

On June 1, 2016, as a complement to the Contracts signed in connection with the Remedies, it was subscribed between MÁSMOVIL Infrastructures, S.L.U. and Orange the Broadband Data Access Service Agreement, under which Orange lends to MÁSMOVIL Infrastructures, S.L.U. service of broadband data accesses based on different technologies over the Orange IP network. A price is set to be paid by MÁSMOVIL Infrastructures, S.L.U. to Orange in terms of technology and modality.

#### Contract for the provision of an FTTH traffic transport service from OLTs to 2 national interconnection nodes

Because the Mutualisation Agreement and its successive Addenda do not include the transmission from the OLT to the MÁSMOVIL Broadband, SAU Core Network, dated December 16, 2016, a binding agreement of intentions was signed between the parties. Provision of an FTTH traffic transport service from OLTs to 2 national interconnection nodes, which establishes the general conditions under which Orange will provide FTTH traffic transport services from the Optical Line Terminal, shortly "OLT") of the mutual network and fibre access service provided in the mutualisation contracts and their addenda to two national interconnection nodes." This

Agreement of intent was formalized in a contract signed by the parties on January 31, 2017. The monthly amount to be paid by MÁSMOVIL Broadband for the traffic processed is calculated on the basis of unit prices for traffic. Also, a guaranteed minimum billing by MÁSMOVIL Broadband of 18,000,000 Euros from year 1 to 3, and a total of 50,000,000 of Euros until year 5, establishing the consequences of not reaching said fixed Guaranteed minimum.

#### **Contracts related to the network and mobile service**

These contracts are detailed in section 5.2.1 of this Prospectus.

##### International roaming and service provision agreements with Telia Company AB (October 5, 2016)

- Agreement for the discount of international roaming tariffs between operators subscribed between Xfera Moviles, S.A.U. and Telia Company AB (acting on behalf of Telia Group companies) whose purpose is to establish the wholesale prices of international roaming between Xfera and Telia Company AB Group companies with a discount on regulated prices. The subscription of this agreement supposes to the Company a reduction of costs in international roaming tariffs of around 200,000 Euros per year.
- Contract for the provision of transition services between Xfera Moviles, S.A.U. and Telia Company AB (former majority shareholder of Xfera) whose purpose is to establish the services to be rendered to Xfera by Telia Company AB Group companies, directly or indirectly, during the migration process and the price thereof. Telia did not incur any costs to Xfera Moviles, S.A.U. in 2016 for the services rendered directly by him, under this Contract.

##### Domestic roaming and national roaming contracts with Orange (October 7, 2016)

- Contract between Orange Espagne, S.A.U. (Orange), MÁSMOVIL Telecom 3.0, S.A.U. and MÁSMOVIL Ibercom, S.A. for the provision of transmission services and the use of telecommunications infrastructures whose purpose is to establish the general conditions under which Orange will assign to MÁSMOVIL the non-exclusive use of some elements of the infrastructure of its mobile network to facilitate the exploitation by MÁSMOVIL of the mobile electronic communications services for which it is authorized and to establish the conditions for the provision of Orange to MÁSMOVIL of transmission services either in locations shared with Orange or with the presence of Orange equipment. Under this contract MÁSMOVIL Telecom, 3.0., S.A.U. agrees to pay Orange the agreed unit economic consideration for each assignment of site space and each transmission link. Currently, the annual cost for the contracts for the assignment of subscribed space amounts to €929,223.28, and no individual transmission contract has been signed.
- Contract between Orange Espagne, S.A.U. (Orange), MÁSMOVIL Telecom 3.0, S.A.U., Xfera Moviles, S.A.U. and MÁSMOVIL Ibercom, SA for the provision of the national roaming wholesale service to the MÁSMOVIL Group, whose purpose is to establish the terms and conditions under which Orange will provide a National Roaming service to MÁSMOVIL Group, this being understood as the connectivity service to the Users of the mobile telephone service of the MÁSMOVIL Group, which they request at any time and that are in areas of coverage of the mobile network of Orange. The MÁSMOVIL Group is committed to a minimum turnover of 367.1 million Euros from 1 July 2017 to 30 June 2021, revisable according to the requirements established in the contract.

Monday, December 12, 2016

- Contract between Telefonica Moviles de Espana, S.A. (Telefonica), Xfera Moviles, S.A.U. (Xfera and Pepemobile, SL (Pepemobile) whose purpose is the provision by Telefonica of the National Roaming service to Xfera and the application by Telefonica of new billing conditions, payment method, payment guarantee and prices of certain services In its relationship with Pepemobile, with the remainder of the Contract for the Provision of Wholesale Access Service to Telefonica's public mobile communications network signed between Telefonica and Pepemobile on September 9, 2014. The contract establishes a duration of 3 years. As consideration for the services provided by Telefonica, the obligation to pay a bonus for the year 2017 of 80 million Euros for Xfera and of 50 million for Pepemobile is established, for the remaining years a unit price is stipulated for each type of consumption of traffic.

#### **Other contracts**

- Agreement for the supply of CPE's and ONT's equipment signed on February 27, 2017 between ZTE Espana, S.L.U. (Supplier) and MÁSMOVIL Broadband, S.A.U. with a term of up to 31 December 2017 amounting to 15,500,000 Euros.
- MÁSMOVIL Broadband, S.A.U. maintains three (3) lease agreements with CORREOS TELECOM, S.A. being the object of leasing what differentiates them.

Thus, the contract dated July 20, 2016 has as its object what are known as "VPN circuits" (circuits that allow to configure a virtual private network), the contract dated August 16, 2016 has as its object what are called "circuits" (rental of carrier circuits) and the contract dated August 29, 2016 has as its object what is called "dark fibre optic" (unfinished fibre) infrastructure.

The 3 contracts are structured as framework contracts, where the supplier's performance (the lease of the vpn / circuit / dark fibre circuit) and their consideration are specified and formalized by subscribing an individual order or contract:

- Framework lease of VPN circuits between Correos Telecom, S.A. (Supplier) and MÁSMOVIL Broadband, S.A.U. signed on July 20, 2016 with ten (10) years. There is no fixed amount, being a framework contract, an individual order / contract is formalized for each leased tranche.
  - Framework lease agreement between Correos Telecom, S.A. (Supplier) and MÁSMOVIL Broadband, S.A.U. signed on August 16, 2016 with ten (10) years. There is no fixed amount, being a framework contract, an individual order / contract is formalized for each leased tranche.
  - Framework contract for the leasing of dark fibre optic infrastructures between Correos Telecom, S.A. (Supplier) and MÁSMOVIL Broadband, S.A.U. signed on August 29, 2016 with ten (10) years. There is no fixed amount, being a framework contract, an individual order / contract is formalized for each leased tranche.
- The contract signed between MÁSMOVIL Broadband, S.A.U. and Xarxa Oberta de Comunicacio i Tecnologia de Catalunya, S.A. (Supplier) dated October 24, 2016 is intended to provide high capacity services and / or dedicated circuit leasing. Within these services to be provided by the provider are: (i) Ethernet point-to-point services, (ii) transparent transport service, (iii) dark fibre rental service and (iv) collocation services.

The contract is structured as a framework contract, where the supplier's performance (the lease of the vpn / circuit / dark fibre circuit) and its consideration are specified and formalized by subscribing to an individual order or contract.

- Collaboration Agreement signed by Xfera Moviles, S.A. (Yoigo) and Banco Cetelem, S.A.U. (Cetelem) on September 30, 2016 for the financing (with a limit of 50,000,000 Euros) by Cetelem of the telephone terminals sold by Yoigo or its distributors to the final customers.
- Contract for the provision of logistics services signed by Xfera Moviles, S.A. (Yoigo) and Interbox Technology, S.L. (Supplier) on 1 July 2015. The amount of the contract is variable. In 2016, a total of 78,000,000 Euros were invoiced in the execution of the same for various items grouped in different accounting items ("Acquisition of terminals", "works for other companies" and "financing of terminal" of the Company accounting records).
- Private contract for collaboration, provision, marketing and distribution of telecommunications services awarded between MÁSMOVIL Group and Spotting Brand Technologies, S.L. dated March 1, 2016. Under this contract, the parties, directly and / or through companies of their respective groups, will provide different services for the commercialization of telecommunications services to final customers, transit of telecommunications signal and construction and development of infrastructures and telecommunications networks in rural zones. In addition, the parties are granted different purchase options (in favour of MÁSMOVIL or some company of its Group) and sale (in favour of Spotting itself or some company of its Group) on Red LTE MM, S.L. (A company of the same group as Spotting, responsible for network deployment and telecommunications infrastructures) and on the telecommunications companies of the business group to which Spotting belongs, either this company or its parent company (Inversiones Locua, SL) acquires, prior Consent of MÁSMOVIL so that they can be included within the perimeter of the mentioned options. The purchase and sale options, for which certain minimum network penetration requirements of the Spotting group and ARPU (minimum monthly revenue per customer) must be met, will allow the MÁSMOVIL Group to increase its customer base and expand its telecommunications network Under certain conditions previously agreed upon in the contract (a certain multiple of EBITDA of the companies included in the perimeter of the options and fixed price per unit of real estate with FTTH technology). At the date of issue of this Prospectus it is not possible to quantify the scope of this contract, although it is important to indicate that MÁSMOVIL will at any time have the power to unilaterally decide which companies or assets it authorizes in an eventual purchase transaction by Spotting for incorporation into the perimeter of the options, which MÁSMOVIL will carry out taking into account, in any case, depending on its financial capacity or investment policy.
- Agreement for the sale of shares in Neutra Network Services, SLU, signed on 21 December 2016, subject to the fulfilment of certain suspensive conditions dependent on third parties other than MÁSMOVIL, and that by virtue thereof, if they met the conditions precedent set, MÁSMOVIL Group will acquire a company with access to several licenses on frequencies of 2.6 GHz and 3.5 GHz. The price of the shares is four (4) million Euros, of which three (3) million Euros have already been delivered as payment of the option and at the price account. In any case, and in reasonable market circumstances, MÁSMOVIL expects to be able to execute this operation during the 2017 financial year, there being a condition of this contract, which, if completed before the end of 2017, the contract will lose its validity, MÁSMOVIL having the right from that date to request the reimbursement of the three (3) million Euros paid on account.
- Contract for the promotion and commercialization of services and products of Yoigo in establishments open to the public subscribed by Xfera Moviles, S.A.U. and The Bymovil Spain, S.L.U. (Agent) on May 29, 2017. Its duration is from 1 July 2017 to 31 December 2020. There is no fixed amount, it is an agency contract where the agreed remuneration

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

(commissions) depends on the number of contracts of services and products of Yoigo that are obtained by the agent.

**22.2. Contracts between the shareholders of the Company**

Not applicable.

**23. THIRD PARTY INFORMATION, EXPERT STATEMENTS AND INTEREST DECLARATIONS**

**23.1. When a statement or report attributed to a person as an expert is included in the registration document, provide the name of the person, his professional address, his qualifications and, if applicable, any important interest he has in the Issuer. If the report is submitted at the request of the Issuer, a statement that this statement or report is included, the form and the context in which it is included, and with the consent of the person who authorized the contents of that part of the registration document**

Paragon Consultores, S.L. (Paragon Partners), domiciled at Calle Montalban 5, 2º izquierda, 28014 Madrid, CIF B-80310568 and registered at the Mercantile Registry of Madrid at Volume 2,717, Folio 58, Section 8, Sheet M-47977, issued a report on the level Remuneration of the Directors of the Company, taking into account the degree of capitalization of the sector and the degree of dedication of the Directors of the Company, among other factors of relevance, whose conclusions are mentioned in section 15.1.1. Of this Prospectus.

**23.2. In cases where the information comes from a third party, provide confirmation that the information has been accurately reproduced and that, to the extent that the Issuer has knowledge thereof and can determine from the information published by that third party, no fact has been omitted that would make the information reproduced inaccurate or misleading. In addition, the Issuer must identify the source (s) of the information**

Not applicable.

## **24. DOCUMENTS FOR CONSULTATION**

It is expressly stated that they are available to the public and that the following documents may be consulted during the period of validity of the Registration Document on the CNMV's website ([www.cnmv.es](http://www.cnmv.es)) and at the registered office of the Company, Then, with the exception in the first case, of the deed of incorporation of MÁSMOVIL:

- Brochure;
- Deed of incorporation of MÁSMOVIL;
- By-Laws;
- Regulations of the Board of Directors;
- Regulations of the General Meeting;
- Internal Rules of Conduct;

For its part, historical financial information for 2014, 2015, 2016 and the first quarter of 2017 are incorporated by reference to this Prospectus:

- Audited annual accounts for the year ended 31 December 2016 and consolidated financial statements for the years 2015 and 2014; and
- Financial information subject to limited review for the three (3) month period ended March 31, 2017.

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

## **25. INFORMATION ON PARTICIPATIONS**

There are no shareholdings in other companies other than those included in section 7.2 of the Registration Document of this Prospectus.

*Disclaimer: Translation for information purposes only of the Prospectus drafted in Spanish.  
In the event of discrepancy, the Spanish version will prevail.*

In Madrid, on 12 June 2017

---

**Signed: Mr. Meinrad Spenger**  
**Proxy of MÁSMOVIL Ibercom, S.A.**