

MÁSMÓV!L

Business Plan 2015-2018

Madrid, October 27th, 2015

PAVING THE PATH FOR GROWTH

- **Introducing MASMOVIL**
- **Competitive landscape**
- **Value creation opportunity for MASMOVIL**
- **Financial projections**



- One of the fastest growing operators in the Spanish market

**800k¹ residential &
25k business clients
€146m² revenue**

- Evolving from MVNO to fully integrated operator through a targeted M&A strategy

**10 companies
acquired in the last
24 months**

- Proven experience in broadband services and fiber deployment

**25k ADSL customers
100k FTTH rollout plan
pre-remedies**

- A market challenger with unparalleled customer service

**1GB for 5€/month
95% customer
satisfaction**

- Sound financial structure with strong shareholder commitment

**€300m market cap
+100% growth in 2015**

Source: MASMOVIL

¹ 400k mobile customers and 400k VoIP customers

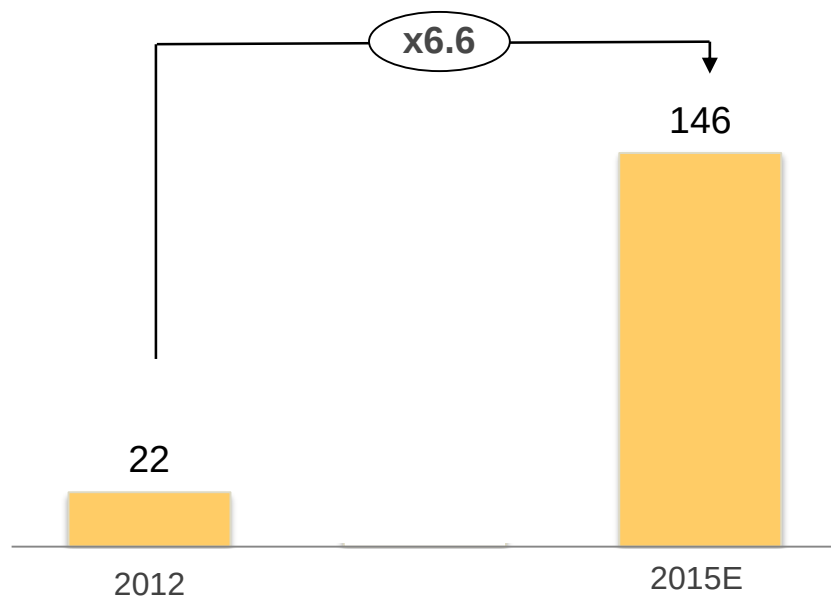
² 2015e pro-forma results (incl. NEO, Embou and YouMobile)

The fastest growing operator in the Spanish market

MÁSMÓVIL

Revenue evolution¹

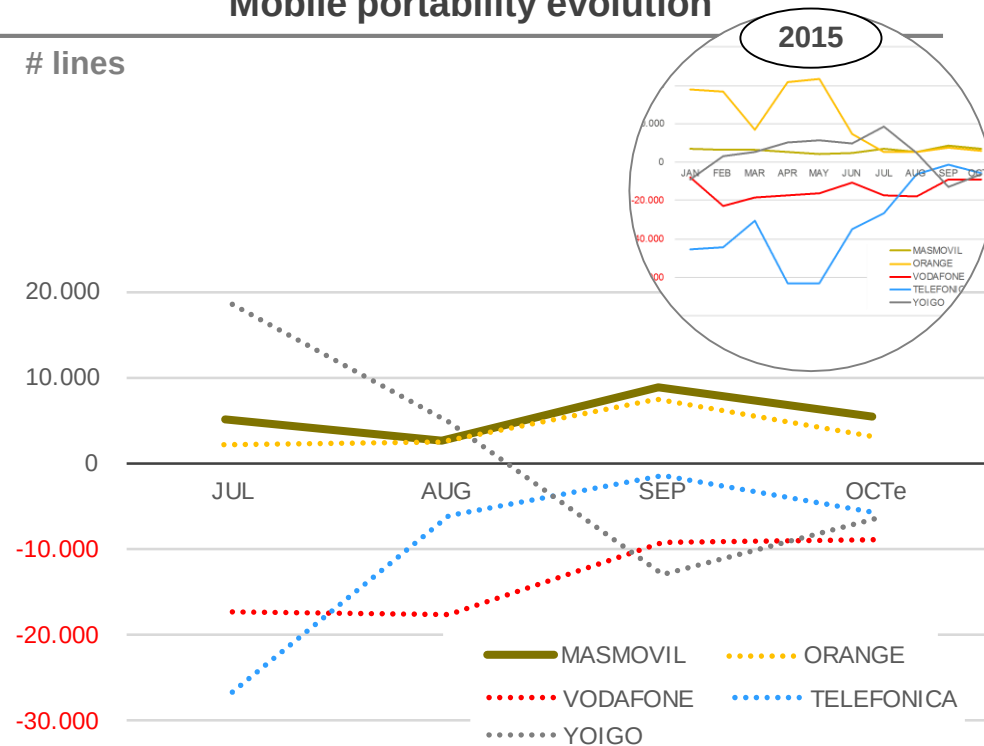
Amounts in € millions



Revenues multiplied by 6.6 in 3 years
(based on a comprehensive offering)

Mobile portability evolution

lines



Number 1 operator in client acquisition
(leading mobile portability in last quarter)

¹ 2015 pro-forma revenues include full year results from Neo, Embou and YouMobile

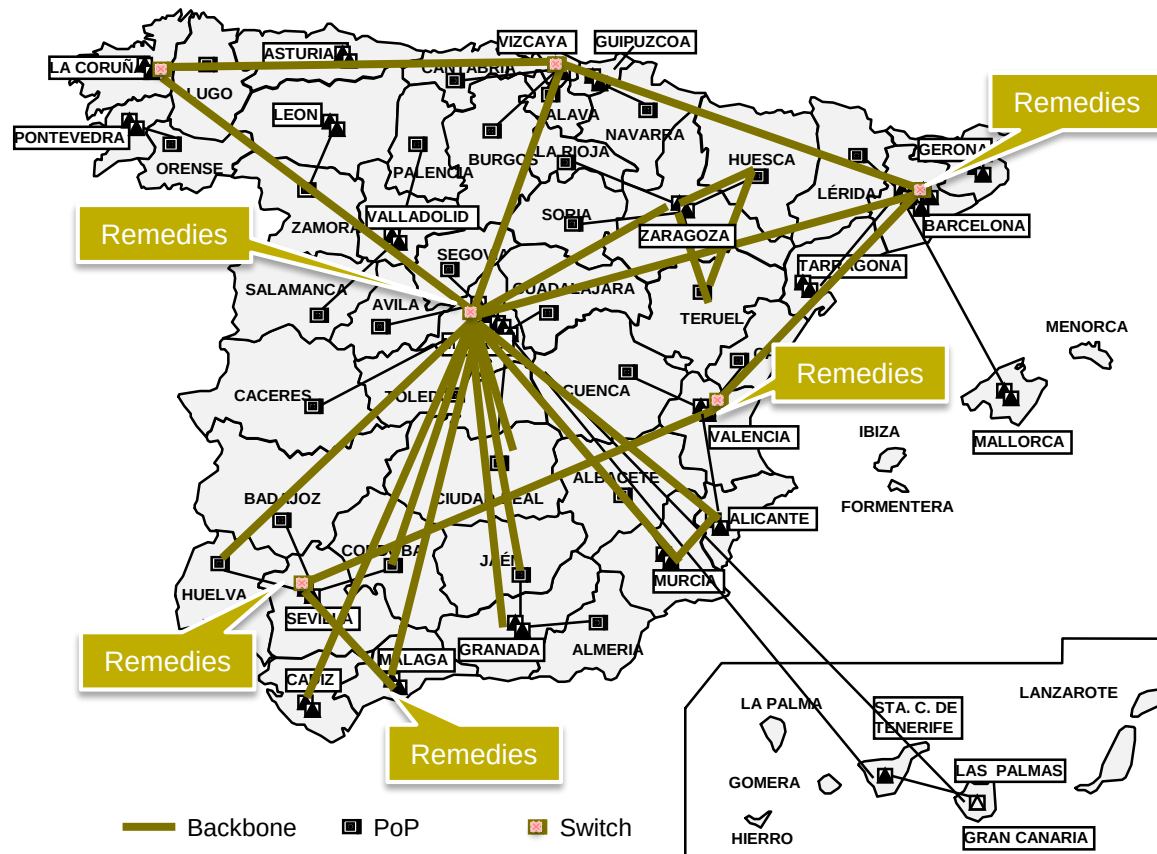
Evolving from MVNO to fully integrated operator through a targeted M&A strategy



- 10 companies successfully integrated in just 24 months
- MASMOVIL has fulfilled objectives of its Business Plan of May 2014

MASMOVIL has proven experience deploying and operating fixed telecommunications networks

Not just an MVNO



Capabilities in fixed networks

- Operating a national backbone network since 2001
- Proven experience managing indirect access services (NEBA, ADSL IP)
- FTTH network currently in service in 4 towns
- Pre-remedies FTTH network rollout plans to deploy up to 100,000 BUs in Aragon
- Provider of hosting and housing solutions

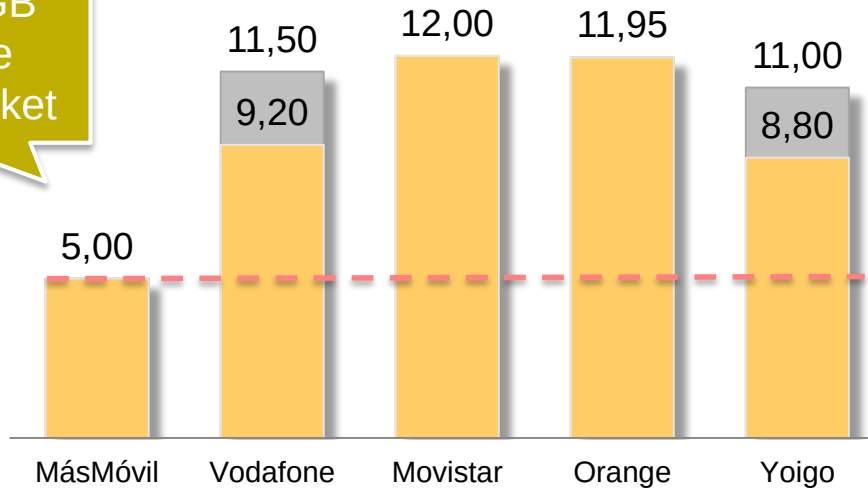
¹ NEBA = Telefonica's reference offer for indirect access to Fibre and Copper

MASMOVIL, a market challenger with unparalleled customer service

The value-for-money proposition (0 cent/min)

Monthly fee VAT included (€)

Cheapest GB price in the Spanish market



Data	1GB	900MB	1GB	1GB	1.2GB
SMS	9.68cts	12cts	18.15cts	12cts	12.1cts
Set up	18.15cts	20cts	20cts	20cts	20cts

Customer service “commandments”

- Agents trained to answer directly, i.e. without transferring the call
- Customer care in 7 languages
- **95% customer satisfaction**, i.e. willing to recommend us

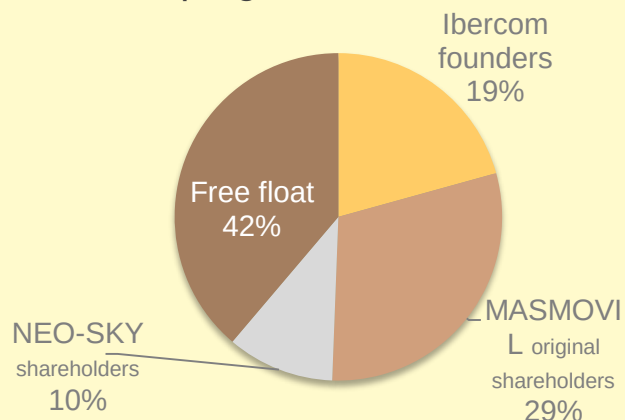
Best MVNO 2014
awarded by
ADSLZone



MASMOVIL shows a sound financial structure and a strong shareholder commitment

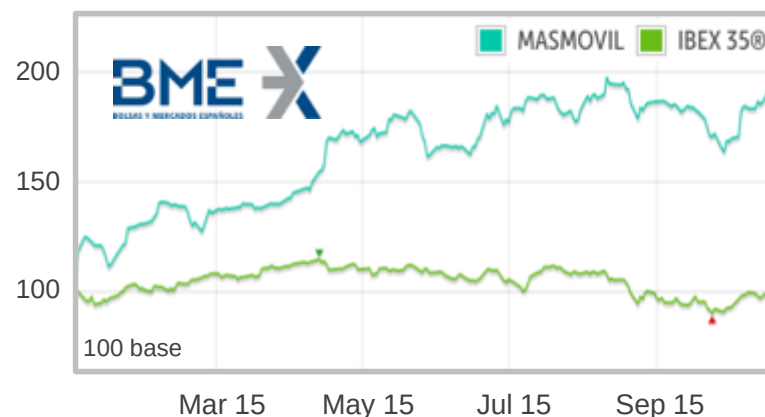
Sound financial structure

- **Successful fundraising strategy** with more than €70m raised in the last 15 months:
 - €25m capital increase in July 2014
 - €27m senior bond issue in June 2015
 - €21m capital increase in July 2015
- **Strong cash** position (€31.6m, June 2015)
- **Low leverage** ratio (Net debt/EBITDA: 2x)
- Strong **shareholder commitment** with a recent lock-up agreement



Consistent stock performance

- Admission to trading in March 2012
- Spanish MaB's **largest company**
- Market capitalization: **€300m**
- Plans to float in the **first market** during 2016
- Share price **growth** of +100% in 2015, outperforming IBEX



MASMOVIL has fortified its teams to manage its new massive broadband business

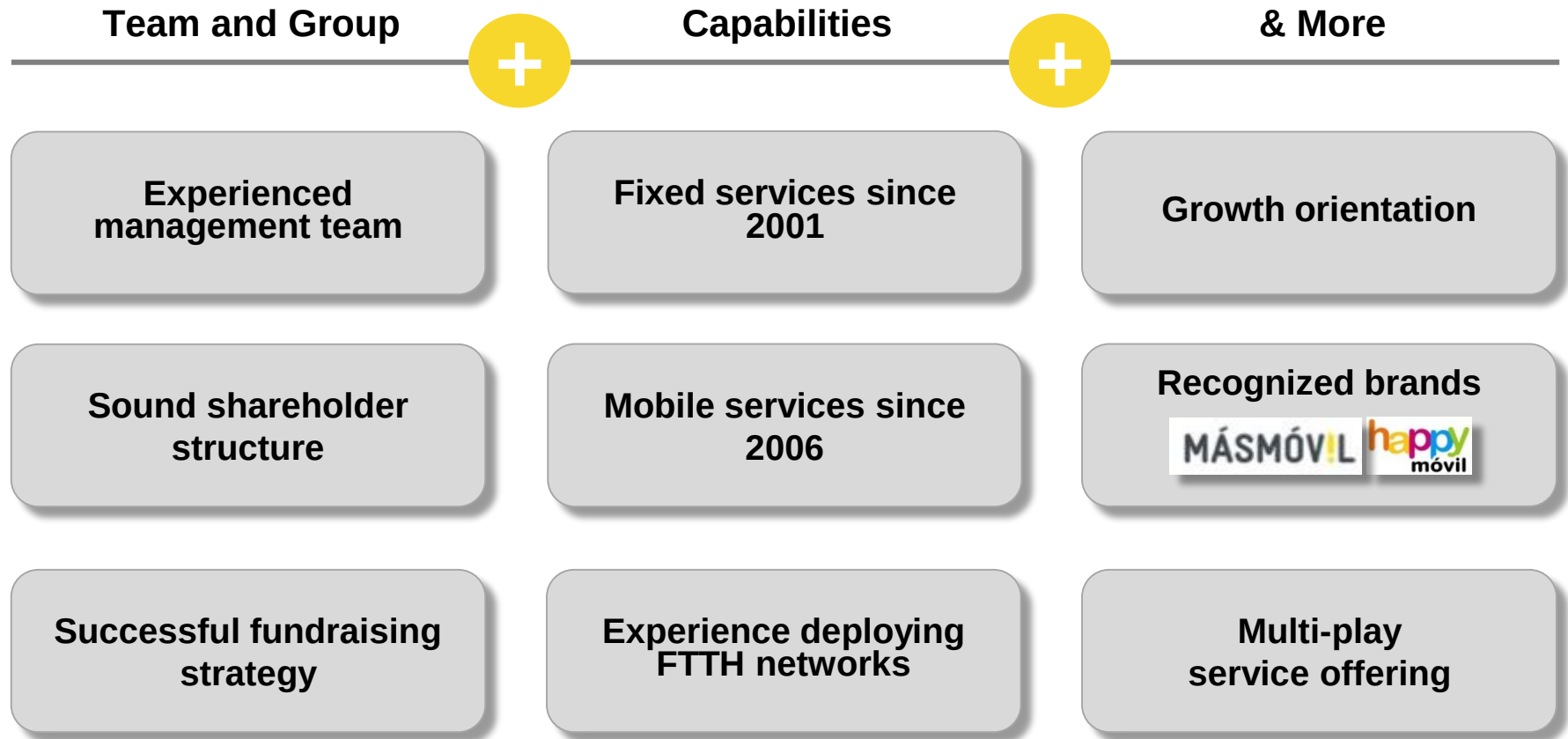


Recent management hires

- **Broadband:** Network Deployment Director Vodafone
- **COO:** Marketing and Commercialization Director ORANGE
- **CFO:** Finance Director Vodafone Enterprise Unit
- **IR, Corp. Finance:** Head of IR Indra
- **Operations:** Operations Director ONO
- **Online:** Responsible of online sales ONO
- **Planning:** Financial Planning Responsible ONO
- **Purchasing:** Purchasing Director ONO

MASMOVIL is perceived as a highly attractive employer for top professionals

MASMOVIL is well prepared to take up the challenger's role



- Introducing MASMOVIL
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- Financial projections

Convergence, NGN fast deployment and Pay TV growth are driving the Spanish Market

Multi-play

NGN

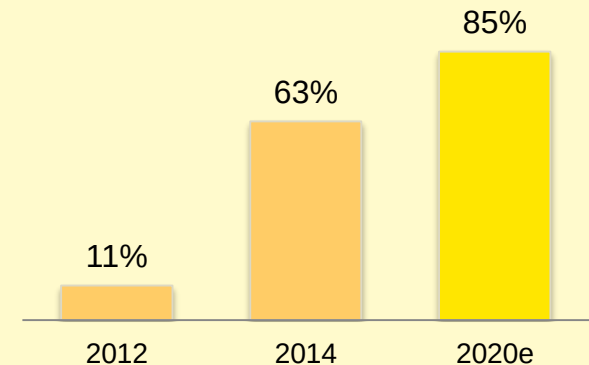
Pay TV

Current status

- Major price reductions compared to stand-alone products
- Customers accept convergence
- Mobile only market rapidly shrinking
- Churn reduction starts to be visible

Market projections

FBB convergence ratio¹ (BB customers with at least one mobile line)

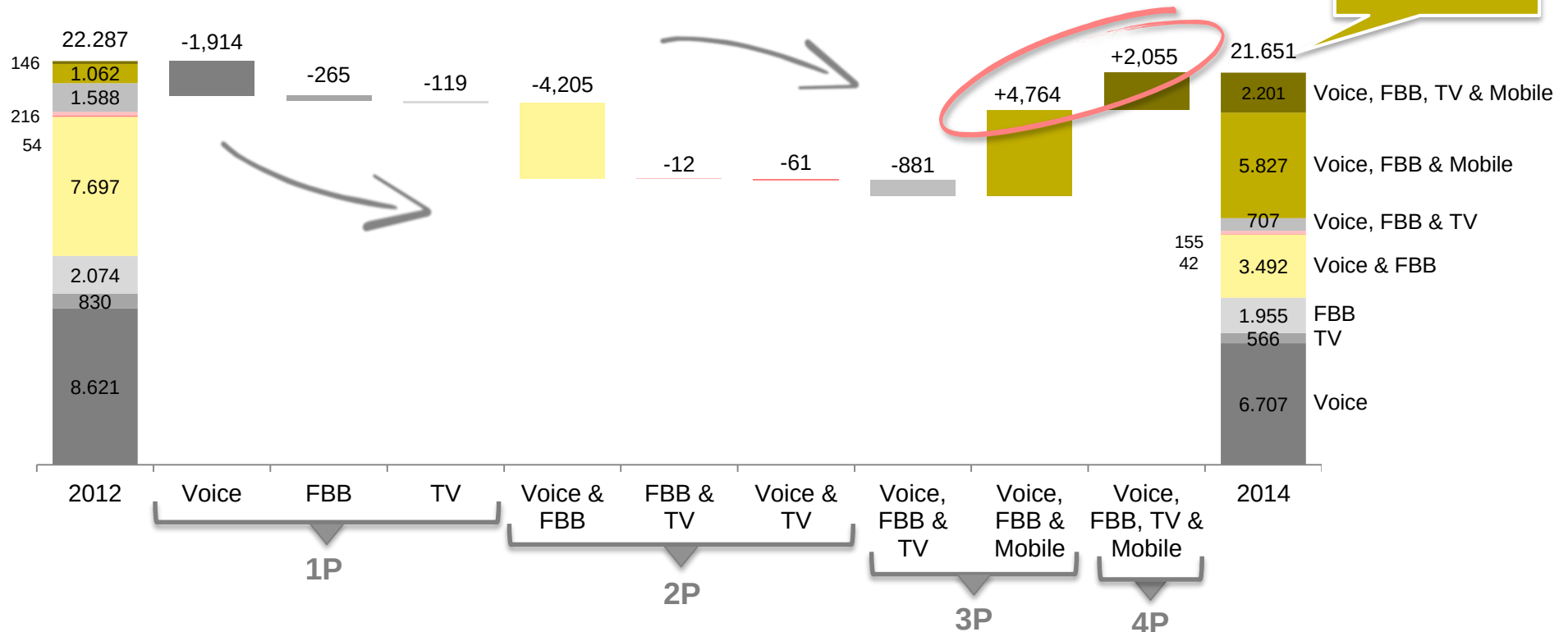


¹ Source CNMC Quarterly Report Q4 2014

The Spanish Market moves quickly towards convergence...

Service bundling evolution 2012-2014

Amounts in thousands of services



- Customers abandon single services (-20%) and traditional 'Voice & FBB' and 'Voice, FBB & TV' bundles (-55%) to embrace the new convergent bundles (x6.6)
- Almost 7 million customers have moved to convergent bundles since 2012

...leaving limited room for “mobile only” players

	2012 ¹	2014 ¹	...	2020e ²	
FBB convergent customers %	11%	63%	...	85%	↑
#SIM/ FBB customer	1.2	1.4	...	1.7	↑
SIMs in bundles (millions)	1.8M	13.1M	...	27.1M	↑
Mobile only market (millions)	38.1M (o/w 17.8 pre paid)	27.1M (o/w 13.0 pre paid)	...	13.3M (o/w 5.8 pre paid)	↓

¹ Source CNMC Quarterly Report Q4 2014 and MASMOVIL estimates

² Business customers not included. An assumption is made that the total number of SIMs remains flat. FBB CAGR 2015-2020 4.4%

Convergence, NGN fast deployment and Pay TV growth are driving the Spanish Market

Current status

Market projections

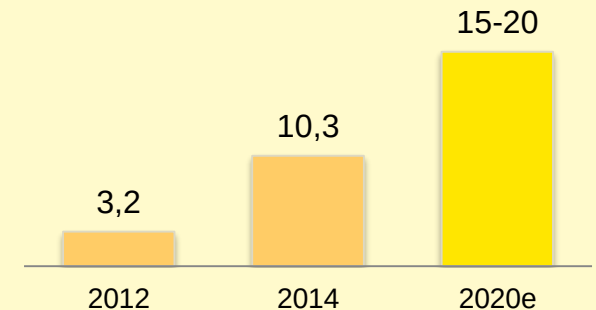
Multi-play

NGN

Pay TV

- Aggressive rollout of FTTH: more than 5¹ million new homes passed in 2014
- Significant network overlap: rollout concentrated in major cities
- 4G/LTE coverage reaches 76%¹ of the population (up from 48% in 2013)

Incumbent FTTH footprint² (M BUs)

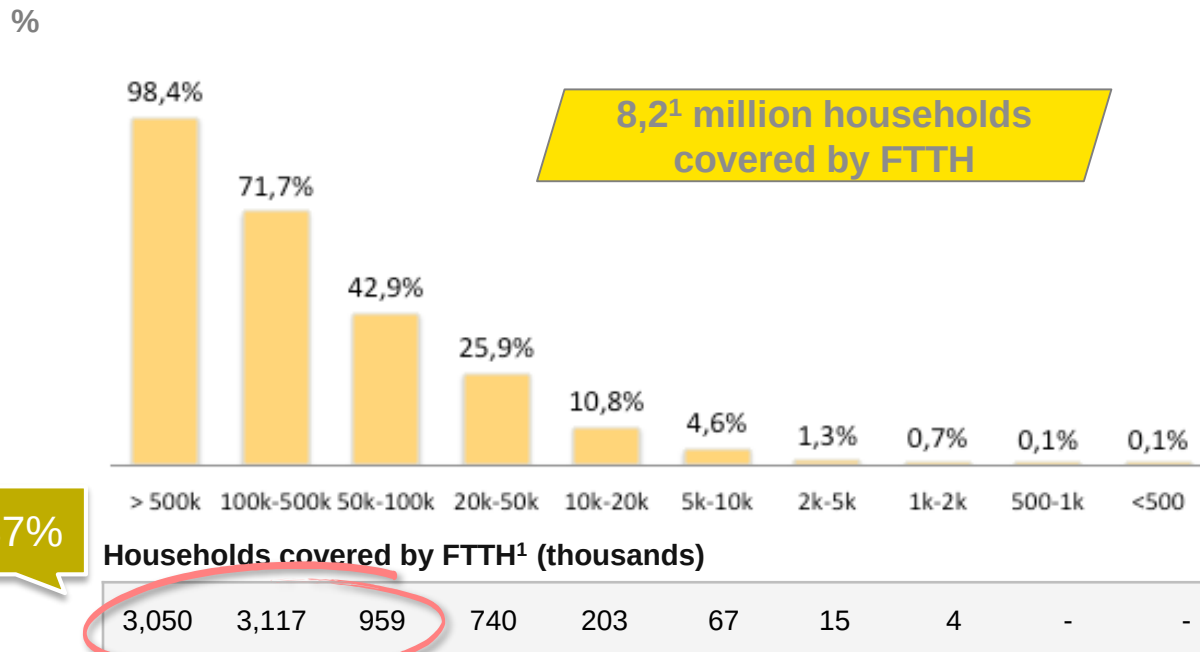


¹ Source CNMC Quarterly Report Q4 2014

² Source Telefonica Quarterly Reports

The main players are all investing in the same areas of big cities MÁSMÓVIL

FTTH network coverage by municipality size 2014¹



Operators rollout plans²

Million Building Units (BUs)

	2014	2017
Telefonica	10,1	15-20
Jazztel	3.1	-
Vodafone	0.8	10
Orange	0.8	10
Others	0.6	-
Total FTTH	15.4	35-40
Ono (HFC)	7.3	-

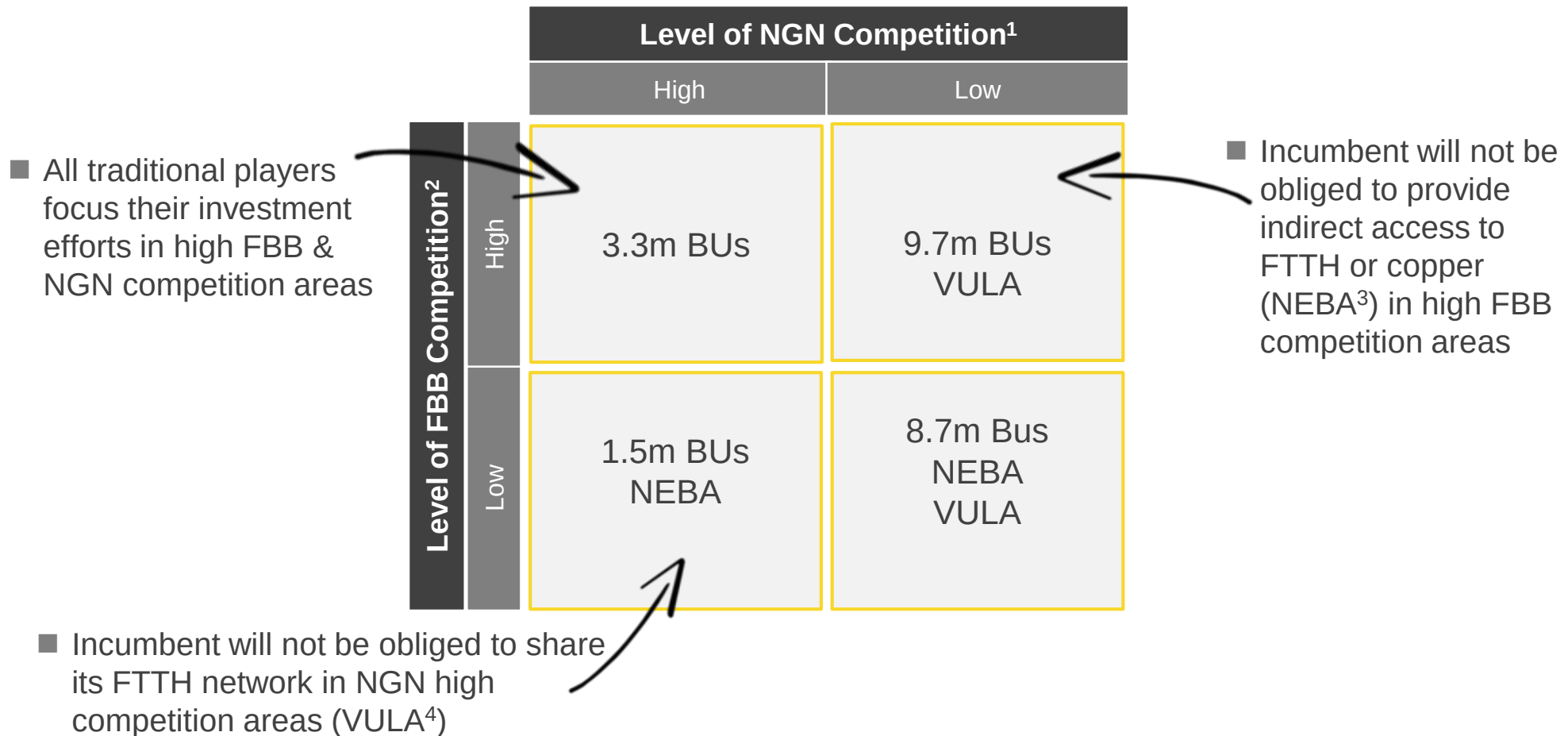
- Operators have reported 15,4¹ million building units covered by FTTH networks by the end of 2014, equivalent to 8,2¹ million households without network overlaps
- 87% of the households covered by FTTH are located in big cities (>50k inhabitants)
- Jazztel's network footprint is highly overlapped with Telefonica's and Vodafone's with Orange's (0.8M)

¹ Source "Broadband Coverage in Spain Report 2015", by SETSI (Ministry of Industry) – See Annex 4

² Source CNMC and declarations to the media

Current dynamics will accelerate the “digital divide” in Spain with all players trying to cover high competition areas

New regulatory framework for broadband markets



¹ Assumption on high NGN: more than three New Generation Networks (NGNs) covering more than 20% of the households individually

² High FBB (fixed broad band): at least two alternative operators with >10% market share each and Telefonica with <50% market share

³ NEBA - Telefonica's reference offer for indirect access to Fibre and Copper

⁴ VULA (Virtual Unbundled Local Access) - Telefonica's reference offer for direct access to Fibre

Convergence, NGN fast deployment and Pay TV growth are driving the Spanish Market

Current status

Market projections

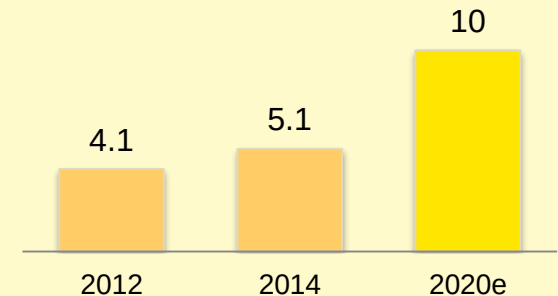
Multi-play

NGN

Pay TV growth

- Incumbent betting hard on premium content and own productions
- 4P bundles more than tripled in 2014
- Netflix launched in October 2015

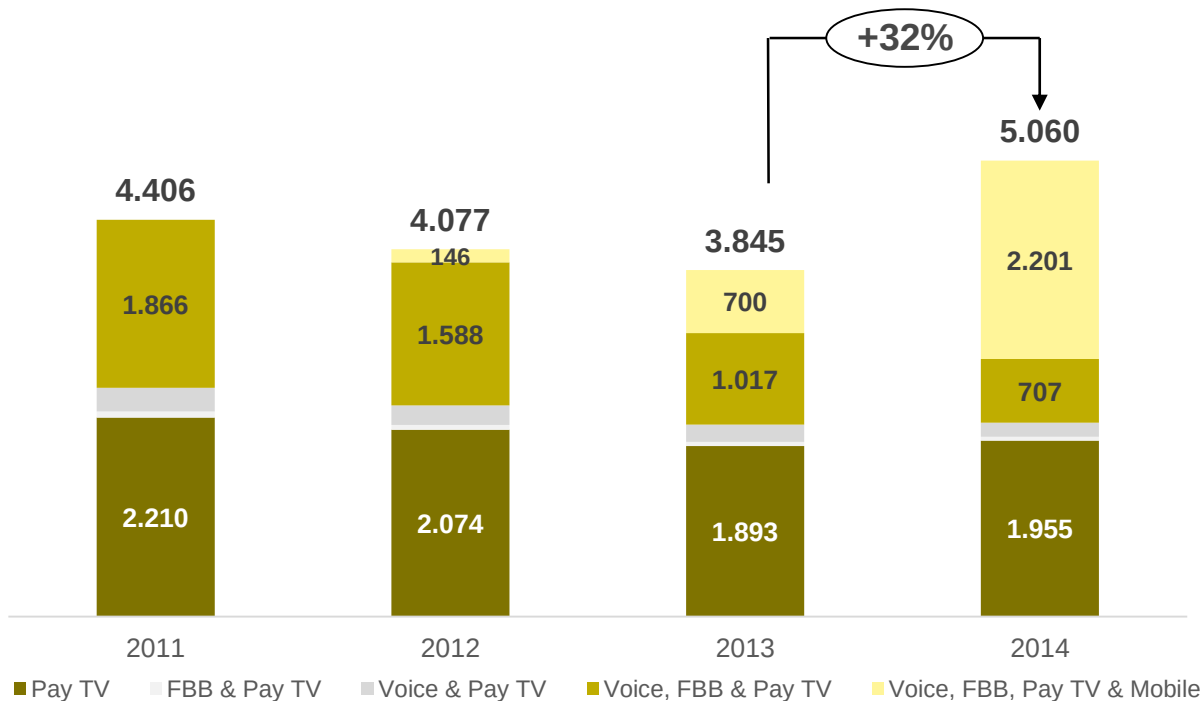
Pay TV subscriptions¹ (M)



¹ Source CNMC Quarterly Report Q4 2014 and Telefonica's declaration to the media

Pay TV bundles evolution 2011-2014

Amounts in thousands



Key developments

- Incumbent:
 - Acquisition of premium content (football, F1, Moto GP)
 - Launch of “Movistar series” (Dec’14)
 - Acquisition of Canal+ (Apr’15)
 - Acquisition of La Liga football rights for €600m (Jul’15)
- Vodafone and Orange launch aggressive football promotions (Liga+ Champions)
- Netflix launched in October

- Vodafone has reached an agreement with TiVo to enhance the smart TV service of ONO
- Orange is offering TV as an add-on to any of its bundles

Margin pressure boosted by convergence, ARPU reductions and need for strong BB presence has led to market consolidation...

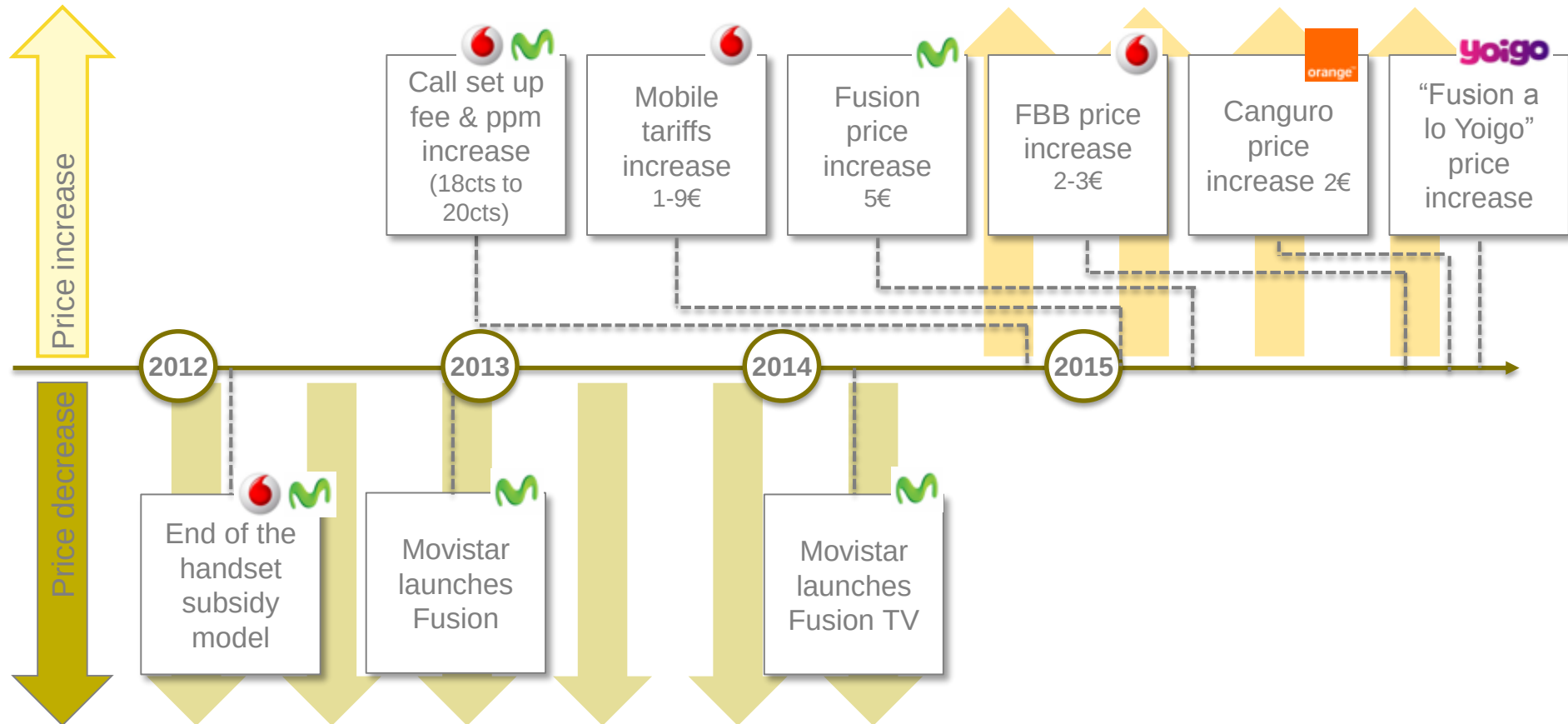
	Company	Buyer	Valuation ¹	Acquisition rational	Mkt Share ²
Multi-play			€7,2bn	Access to HFC ³ footprint	21 % FBB
NGN			€3,4bn	Access to FTTH footprint	27 % FBB
Pay TV			€1,2bn	Access to premium content	71% Pay TV

¹ Source Companies' press releases

² CNMC Quarterly Report Q4 2014 – Customer market share

³ HFC = Cable

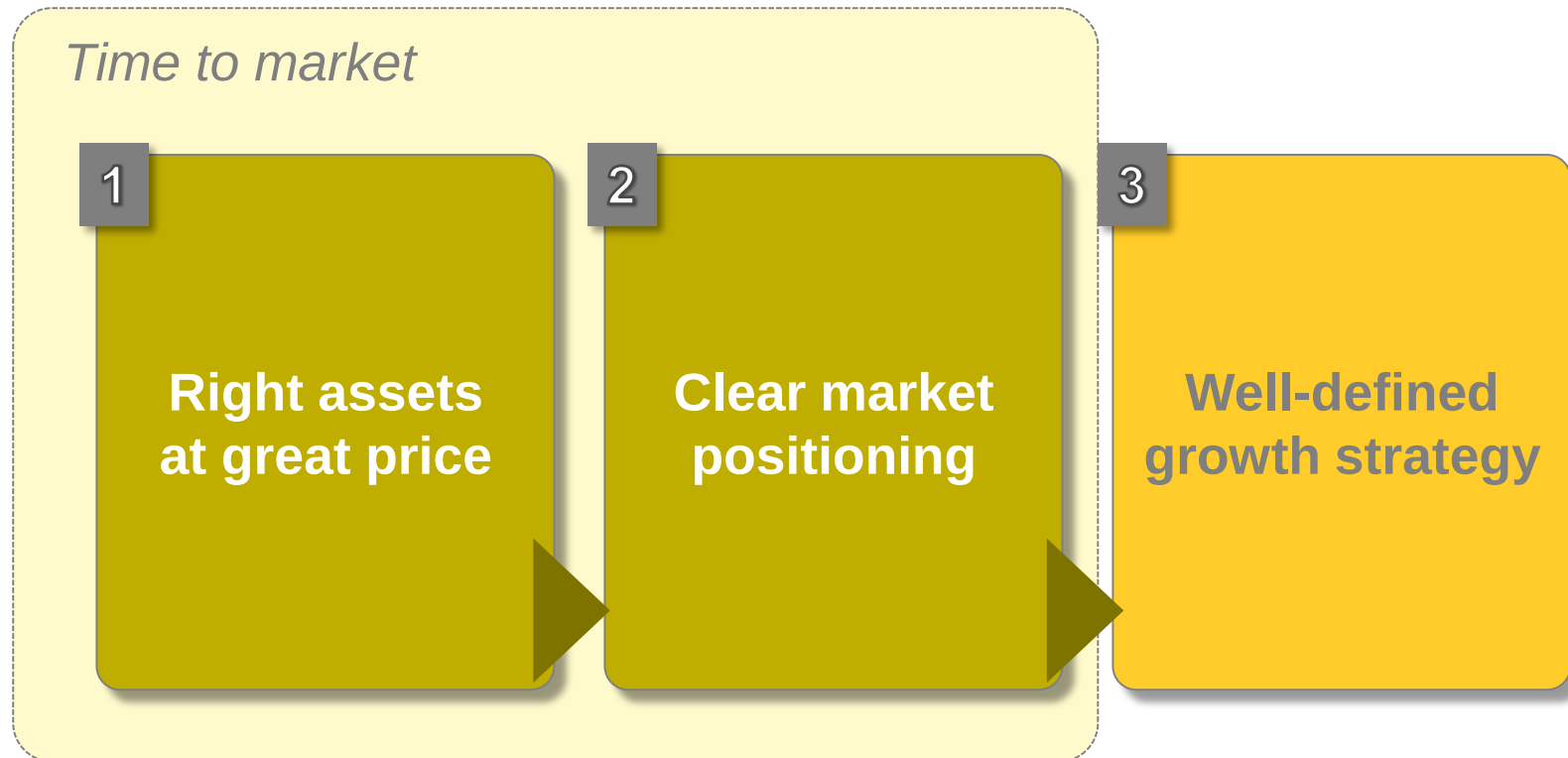
... and lower competition is leading to higher prices for consumers



- Introducing MASMOVIL
- Competitive landscape
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Value creation opportunity for MASMOVIL

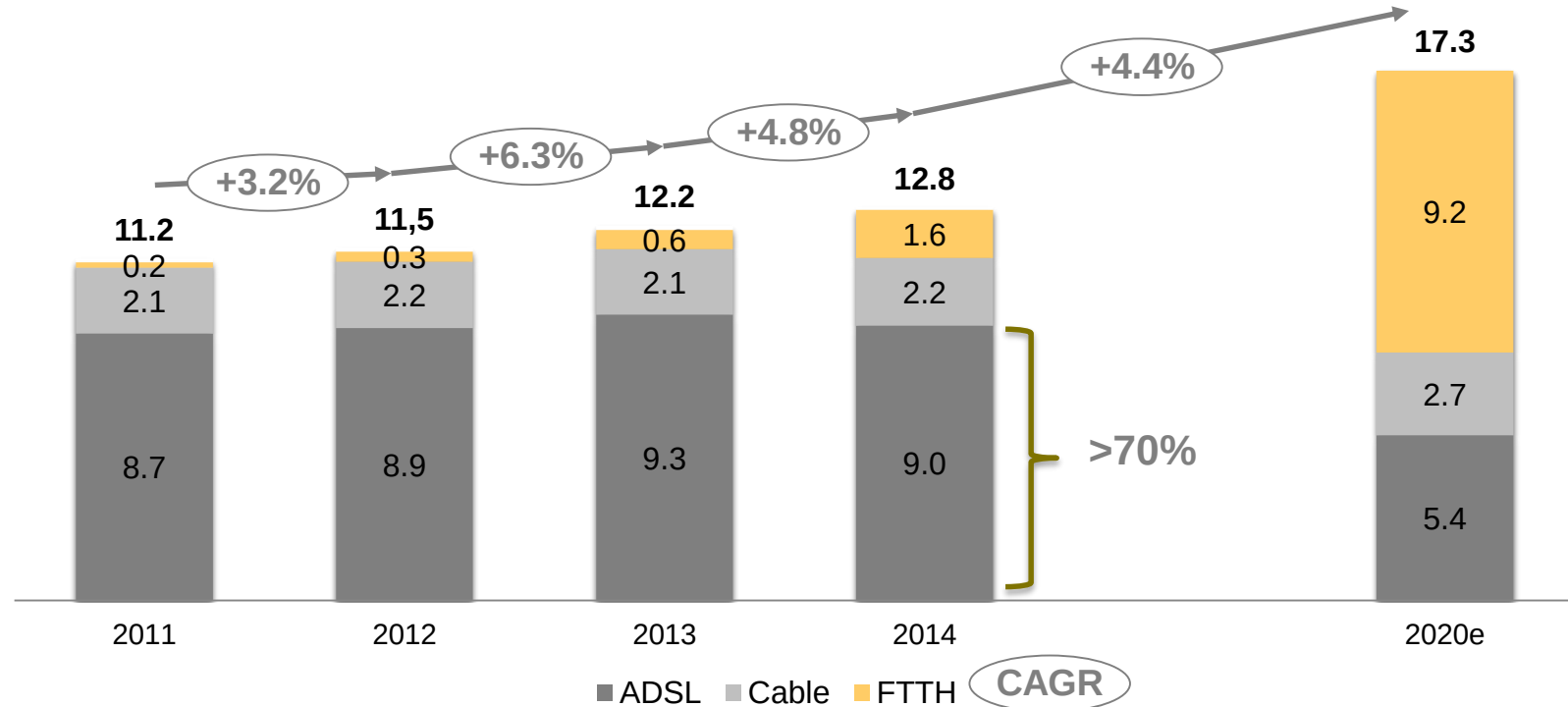
The Spanish broadband penetration is still lagging behind EU28 average, the broadband market is growing at a fast pace and it is expected to continue growing in the next years



There is room for growth for MASMOVIL in a market which is expected to reach more than 17M connections by 2020

The market keeps growing

Millions of broadband connections (EoP)



- FTTH recorded 370k new connections in the first quarter of 2015
- ADSL will be gradually replaced by New Generation Networks (NGNs)

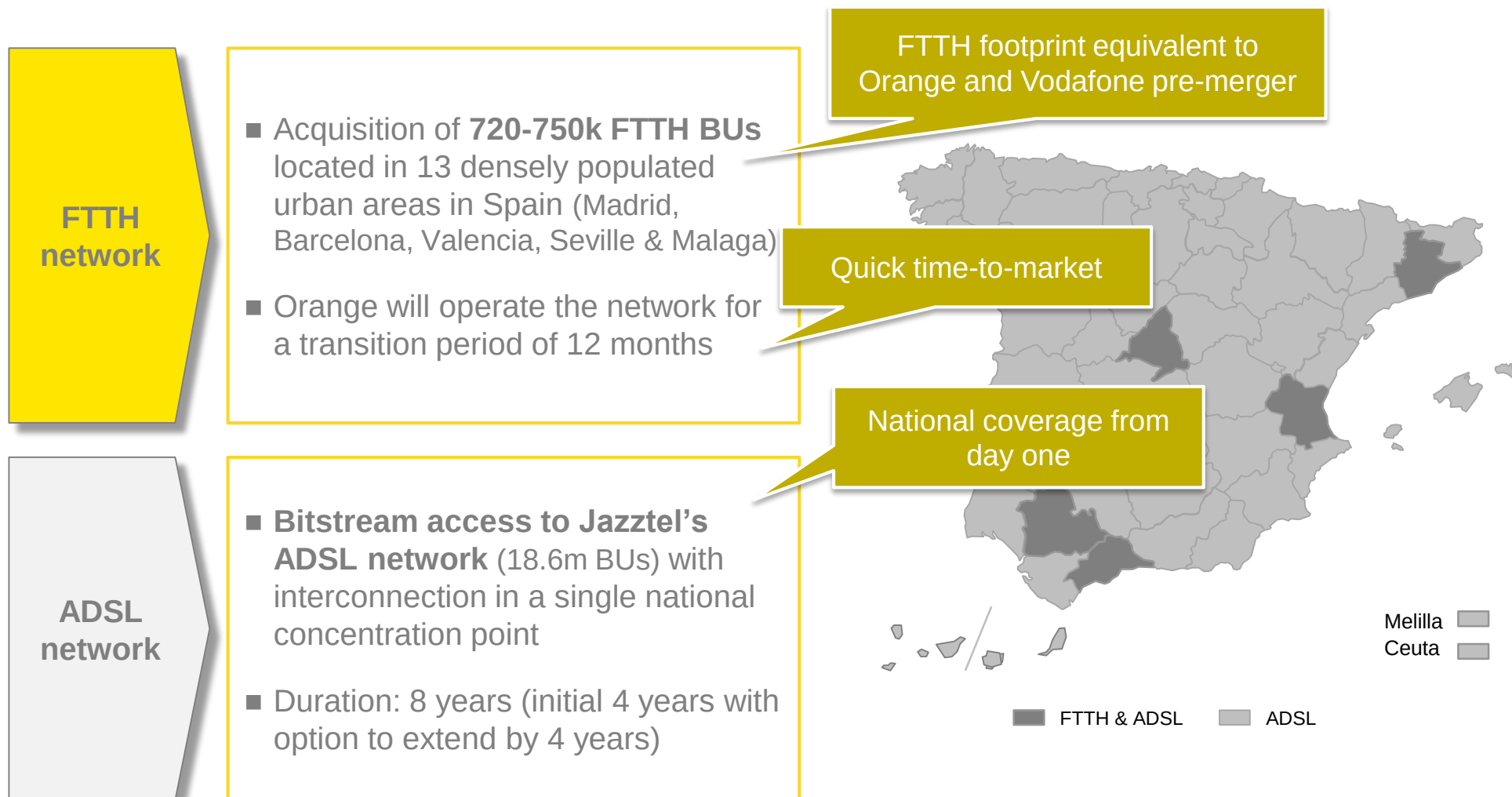
Value creation opportunity for MASMOVIL

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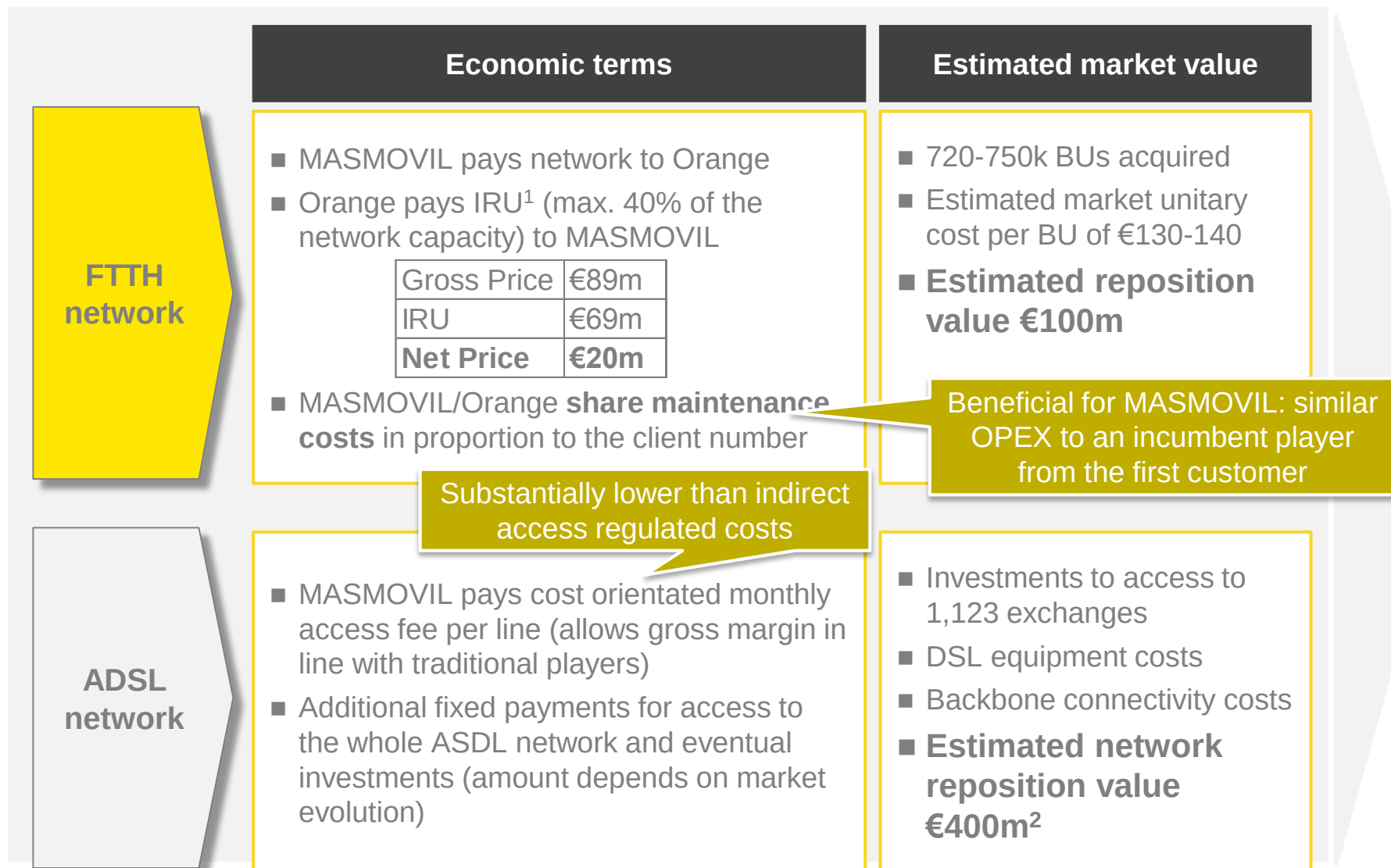


The remedies ensure that MASMOVIL has the right assets to compete effectively in the Spanish broadband market...

MASMOVIL's FTTH and xDSL footprint on day one



... reaching national coverage in fixed and mobile services from day one at an attractive price



¹ IRU (indefeasible right of use) for 35 years

² Source: El Economista and Expansión (27/07/15)

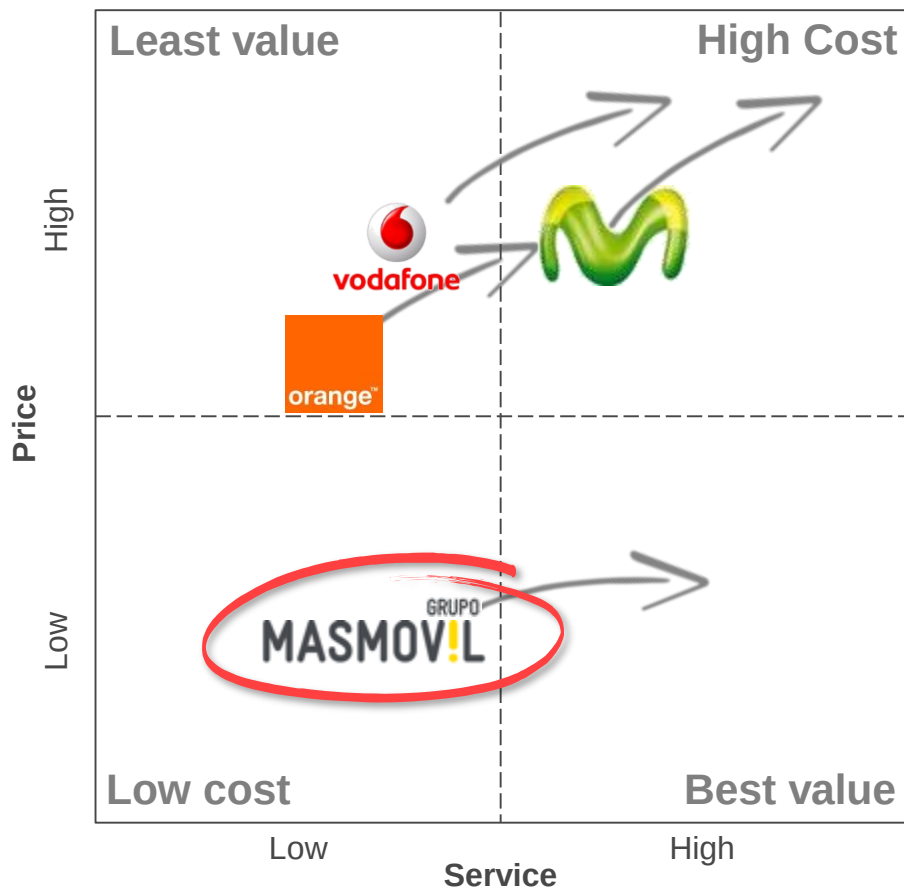
Value creation opportunity for MASMOVIL

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Major players trying to compete for the price premium space. MASMOVIL with opportunity to occupy the “value for money” throne

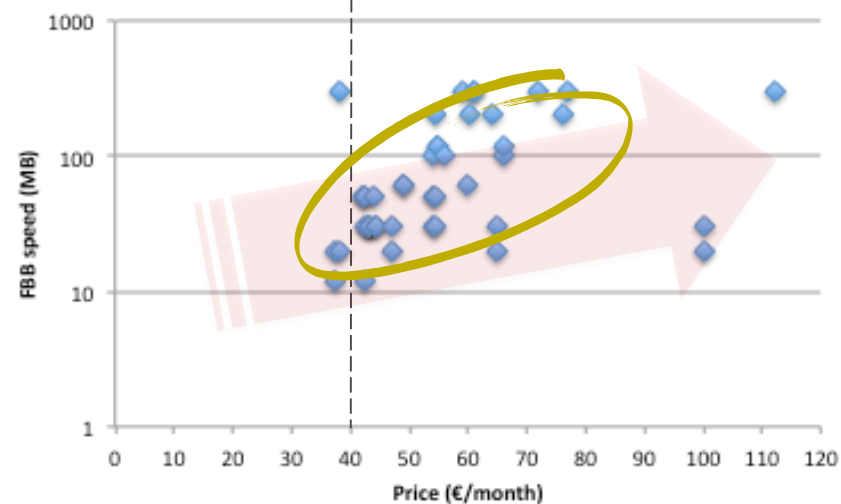
Telco market value matrix



Market dynamics

- Market changes drive prices up
- Heavy structural costs and investments in NGN will force traditional players to focus in the high end of the price spectrum to accelerate investment recovery

Price points analysis (Jun 2015)



Value creation opportunity for MASMOVIL

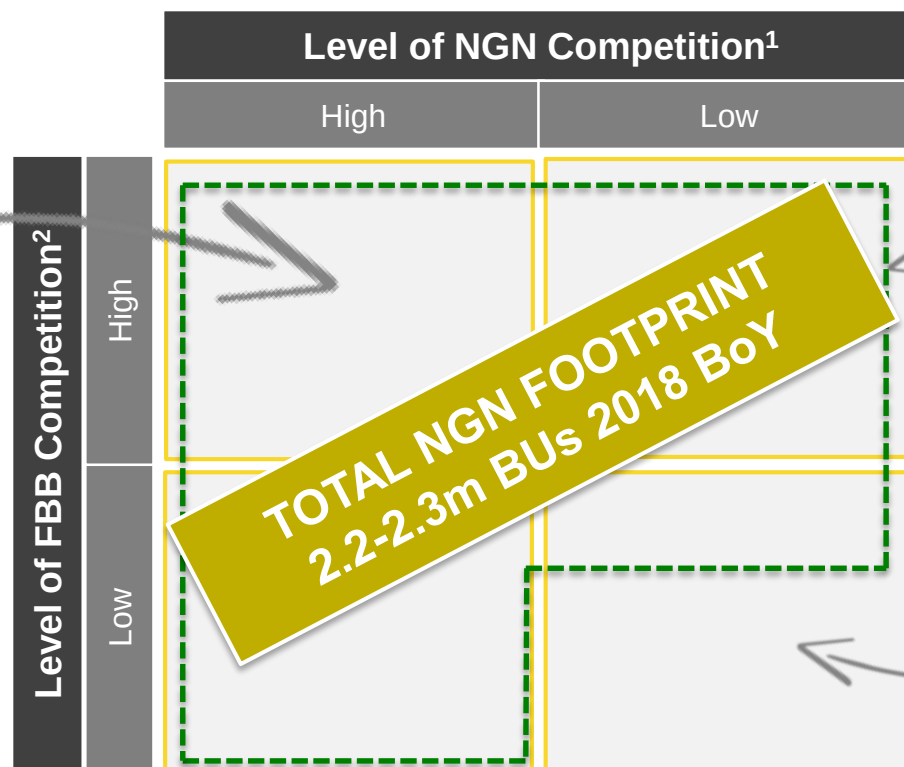
The Spanish broadband penetration is still lagging behind EU28 average, the broadband market is growing at a fast pace and it is expected to continue growing in the next years



MASMOVIL will expand its NGN footprint through co-investment agreements and its own deployment

FTTH footprint 2018

- MASMOVIL has acquired **720-750k** FTTH BUs and will co-invest to build up to **1,000k** BUs until 2018 to complement its footprint in high competition areas



- MASMOVIL with bitstream access to Jazztel's xDSL network (**18.6m lines**) to compete on a national basis from day one

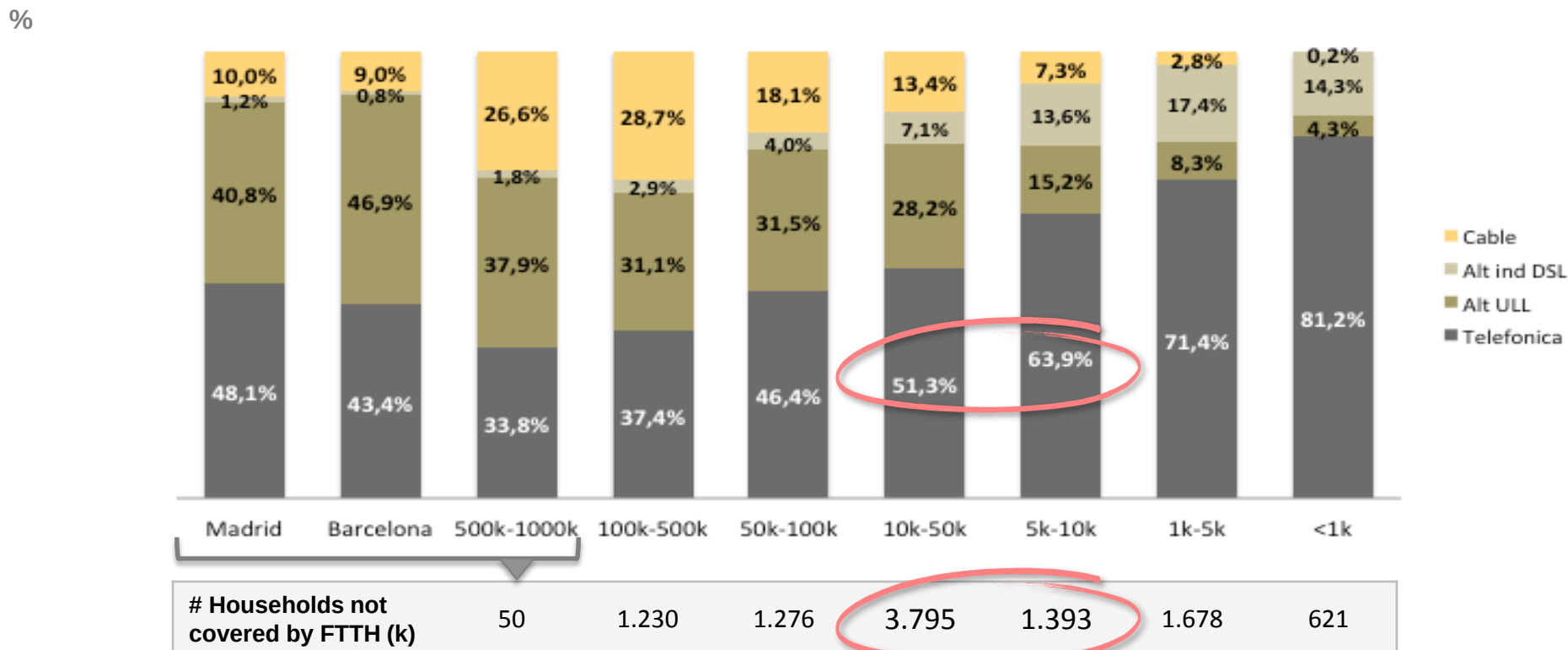
- MASMOVIL will rollout 500k FTTH BUs on its own in low competition areas

¹ Assumption on high NGN: more than three New Generation Networks (NGNs) covering more than 20% of the households individually

² High FBB: at least two alternative operators with more than 10% market share each and Telefonica holding less than 50% market share

MASMOVIL will focus its own FTTH rollout in small cities where FTTH roll out lacks and competition is less intense...

Market share by municipality size



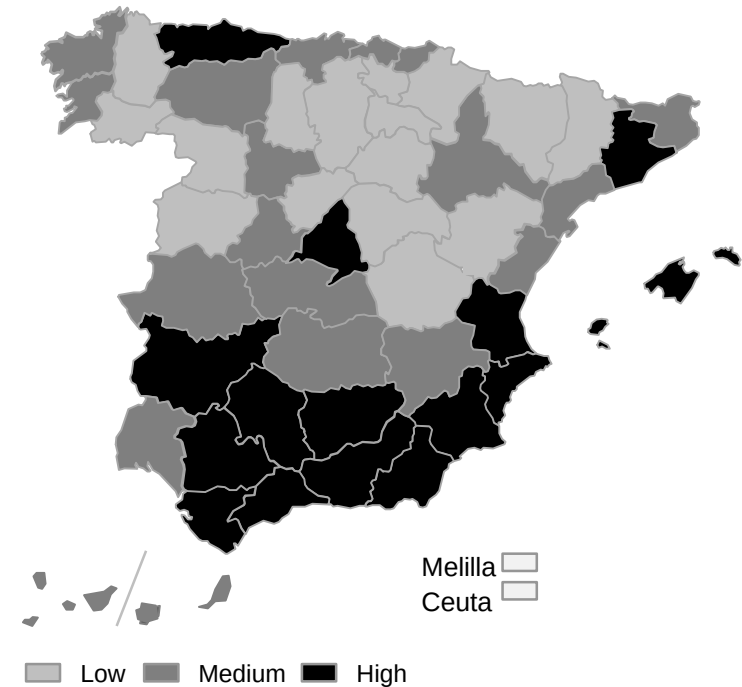
There are more than 5M households not covered by FTTH in municipalities with population between 5k to 50k where national players (eventually with exception of the incumbent) are not yet focusing

... leveraging its high capillarity commercial distribution network

Store design sample



Distribution intensity by province



- Commercial presence in all Spanish provinces with special strength in coastal areas
- More than 300 sales distribution partners across the whole country
- 57% of total points of sale are located in towns with populations of less than 50,000 inhabitants

- **Introducing MASMOVIL**
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- **Value creation opportunity for MASMOVIL**
- **Financial projections**

MASMOVIL will reach c400k FBB customers and 1 million mobile lines in 2018, approx. multiplying revenues by 2 and EBITDA by 6

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	2015e		2018e	
Broadband customers EoP	25k		350-400k	x15
Mobile customers EoP (SIMs)	420k		950-1,025k	x2.4
Revenues ¹	€146m		€250m	x1.7
EBITDA ¹	€11.5m		€70m	x6

¹ 2015 figures are pro-forma

Source: MASMOVIL

NGN footprint to reach 2.3 million in 2018

Addressable BUs per year

Thousands

Similar footprint than Orange or Vodafone pre respective mergers

720-750

720-750

2015E

1,500-1,550

250

500

750-800

2016E

2,000-2,050

500

750

750-800

2017E

2,250-2,300

500

1.000

750-800

2018E

Similar footprint than Euskaltel, R and Telecable all together

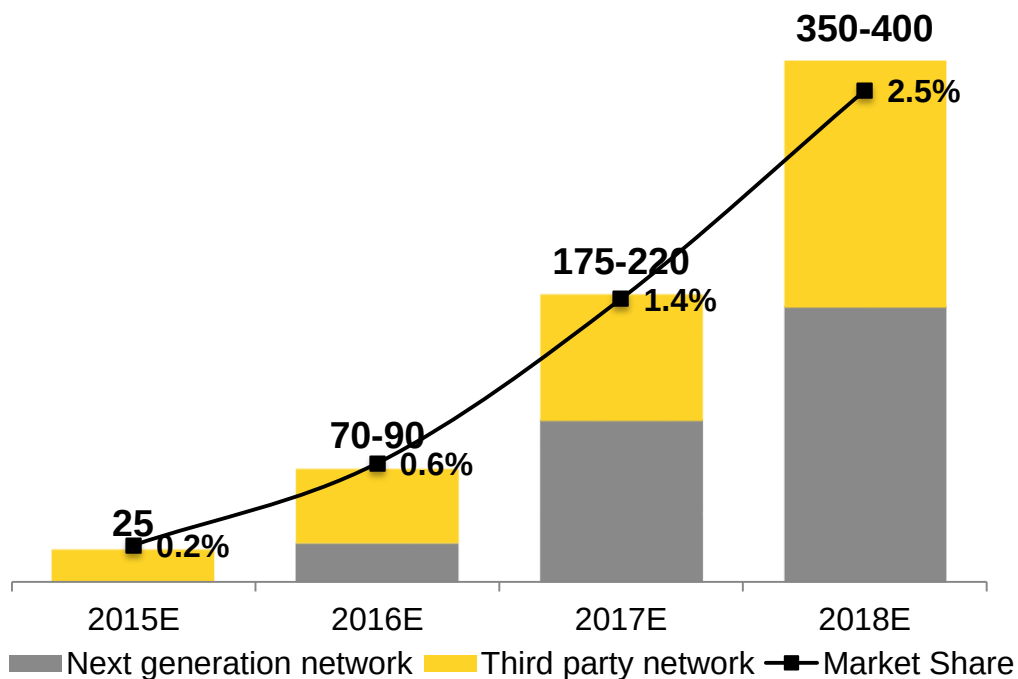
■ Remedies ■ Co-invest ■ MASMOVIL deployment

- By 2018 MASMOVIL will have access to 2.2-2.3m business NGN BUs
 - 720-750k from remedies initially (network expected to grow up 800k BUs)
 - 1,000k in 3 years as result of co-investment agreements
 - 500k of MASMOVIL deployment plan in next 2 years

FBB customers will reach c400k and mobile lines c1m in 2018

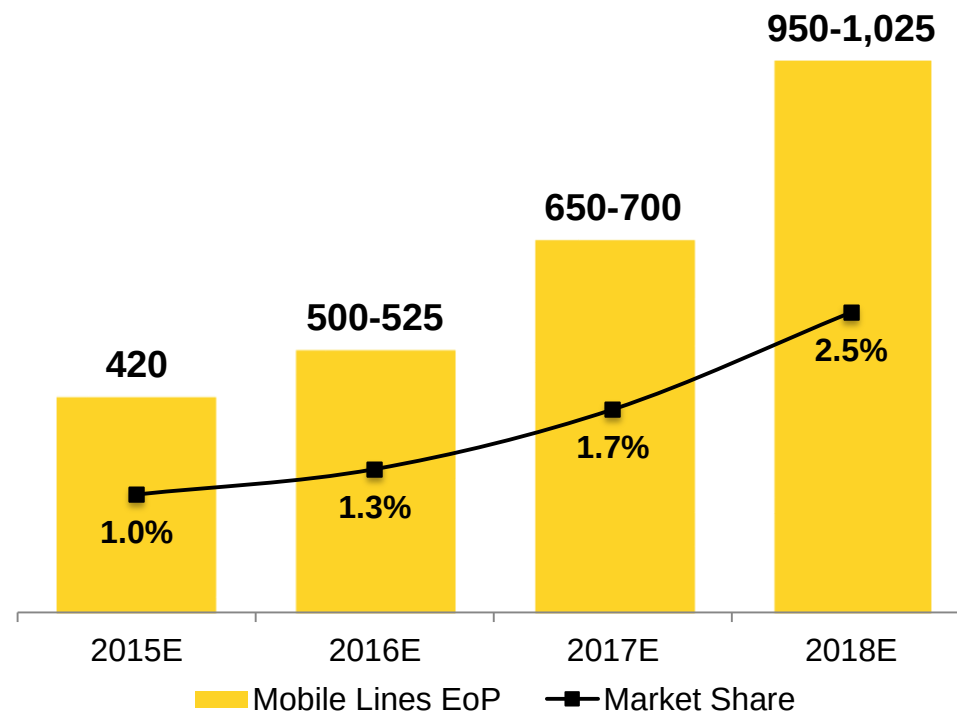
FBB Customers EoP and Market Share

Amounts in thousands



Mobile Lines EoP and Market Share

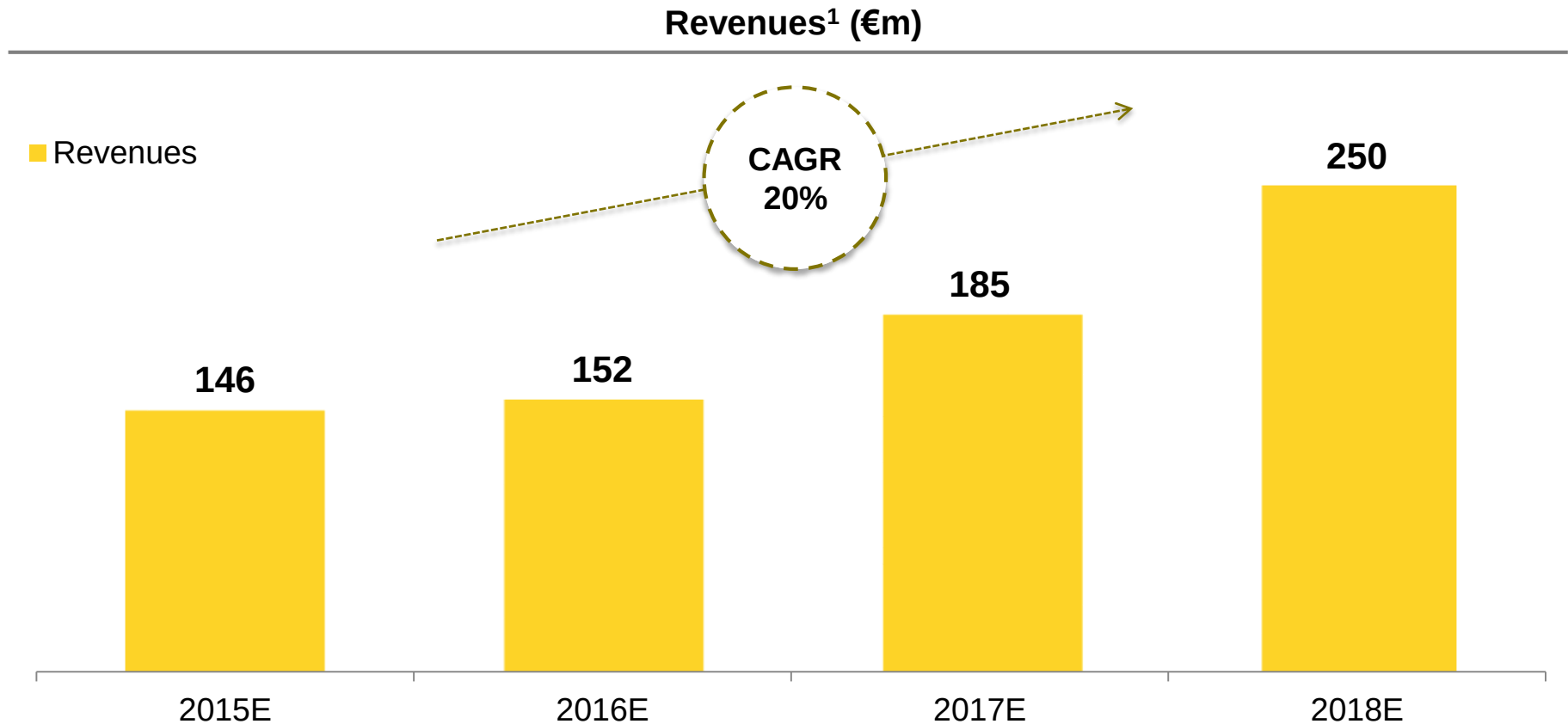
Amounts in thousands



- MASMOVIL is in an excellent position to reach a 2,5% market share in Fixed and Mobile in 3 years and consolidate its 4th position as integrated Telco operator

Revenue forecasted to reach 250 million by 2018

Revenue will grow up to 20% CAGR during the next three years



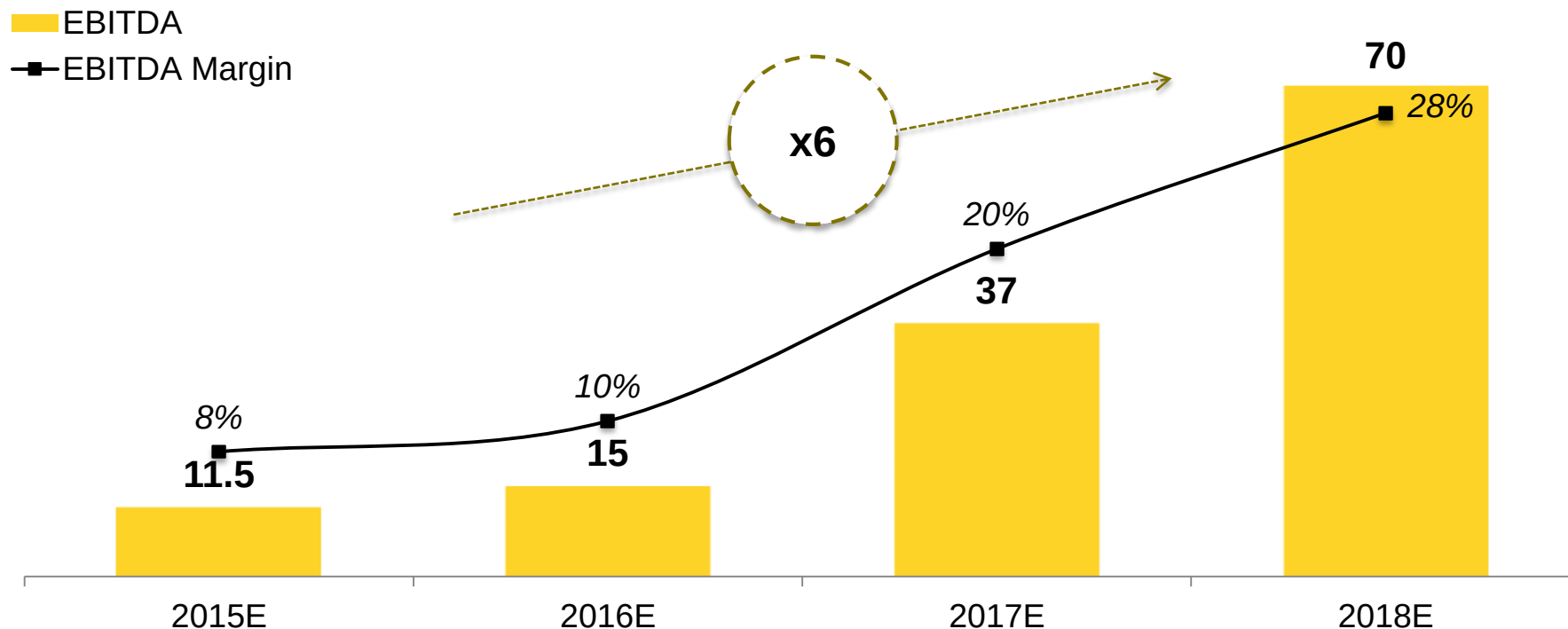
- Sustained growth of 20% YoY during next 3 years due to access to fixed broadband market
- ARPU evolution is the result of a low price strategy combined with a high convergent penetration

¹ 2015 figures are pro-forma
Source: MASMOVIL

Six-fold EBITDA increase to 70 million in 2018

EBITDA margin to reach ~ 28% by 2018

EBITDA¹ (€m) and EBITDA Margin (%)

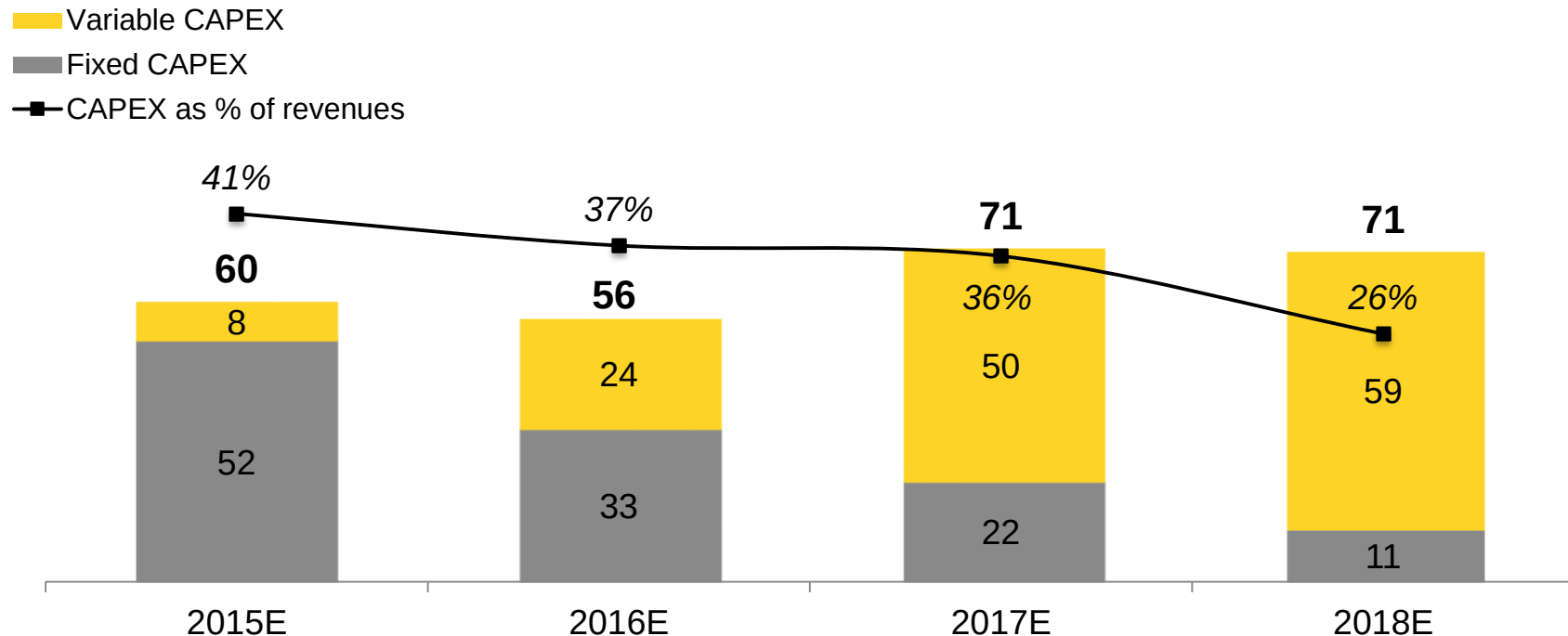


■ EBITDA margin is expected to improve over years due to the increase of convergent business

¹ 2015 figures are pro-forma

Capex efforts concentrated in years 2015 to 2017

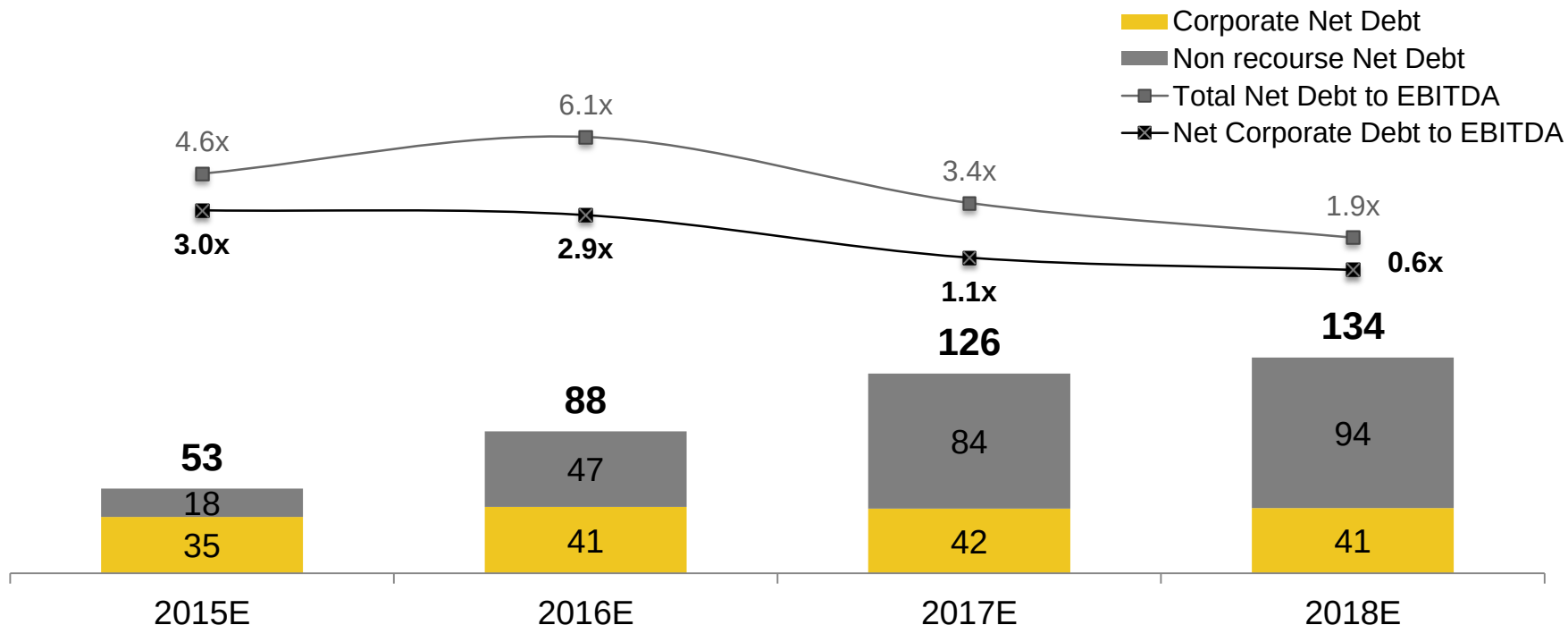
CAPEX (€m) and CAPEX over revenues (%)



- Total capex from 2015 to 2018 will reach €259 million
- Slightly more than half of the capex (55%) is success based and linked to customer acquisition
- Most of the fixed capex will be devoted to the acquisition and expansion of the network

Leverage ratio to recover current levels in three years time

Net Debt (€m) and Net Debt to EBITDA ratios (#)



- Financial structure weighted to corporate debt
- Corporate Net Debt to EBITDA ratio in line with current industry levels
- Quick deleveraging process after reaching a peak in 2016

Project financing structure already in place

		Amount (€m)	Status
1	Cash End of 2014	9	✓
2	Senior Bonds Raised in July 2015	27	✓
3	Vendor financing Network deployment	74	✓
4	New financing LoI/Engagement letter	65	✓
5	Cash generated by the business 2015-2018	84	✓
		Σ 259	

- Attractive financing terms
 - Debt financed
 - Cash available upon request
 - Back-loaded payments
 - Low interest rates (weighted interest 3%)
 - Limited warranties

- 67% is already secured/in advanced stage (points 1 to 4); rest to be served from business
- Given the fact that €142m of the capex is success/client based, the plan can be considered fully funded

Conclusions: MASMOVIL is well prepared for the challenger role and to creates value for its clients and shareholders



- MASMOVIL is a **solid enterprise** with
 - a **proven organic and inorganic growth track record**
 - an **experienced management team**
- MASMOVIL has acquired through the remedies the **right assets at a great price** to compete effectively in the Spanish market from day one with **national coverage**
- Current market dynamics support our strategy with
 - **value-for-money proposition** not properly covered by peers
 - a good opportunity to expand our footprint both in high competition areas through **co-investment agreements** and low population density areas where competition is less intense
- The Company will generate positive operating FCF as soon as by 2018, with
 - EBITDA pointing to **c€70m, c€250 million** revenues
 - close to **400,000** FBB customers and **one million** mobile lines

**“Strength and growth come only
through continuous effort and struggle”**

Napoleon Hill