

## COMMUNICATION OF A RELEVANT FACT

### MASMOVIL GROUP

12th April 2016

The following information is provided and made available to the Mercado Alternativo Bursátil (hereinafter MAB) regarding the company MASMOVIL IBERCOM, S.A. (hereinafter either the “**MASMOVIL Group**” or “**MASMOVIL**” or “**the Company**”) indistinctly, in accordance with memo 7/2016 of February 5<sup>th</sup>, 2016 of the Mercado Alternativo Bursátil (hereinafter the ‘MAB’) and article 82 of the Securities Market Law and other applicable standards.

In Madrid, on 12th April 2016

A handwritten signature in black ink, appearing to read 'Meinrad', with a long horizontal stroke extending to the right.

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

## **RESULTS OF THE FINANCIAL YEAR 2015**

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Information also available at [www.grupoMASMOVIL.com](http://www.grupoMASMOVIL.com) in “Information for investors”

## 1. Main milestones of the financial year

### Compliance with the Business Plan

- **For another year**, MASMOVIL has **complied with** its pro forma **financial objectives**<sup>1</sup>:
  - **100% compliance** with its **Revenue** and **Gross Margi**, achieving 141M€ and 48M€ respectively.
  - **Surpassing** its **EBITDA objective** (107% of the objective) and **EBITDA Margin** achieving **12M€** and **8.5%** respectively.

### Evolution of revenue

- The Company's **revenue** reached 130M€ (**141M€ pro forma**<sup>2</sup>), **69%** more than the figure for year 2014, with organic growth in both Residential and Enterprise divisions.
  - The **Residential** division (21% of total revenue) showed a **positive performance**, the majority of the **operational indicators** having a **favourable evolution**.  
During the financial year, the number of mobile clients increased to 458k (+29%); net possibilities increased significantly, reaching second position per group in the second six monthly period; and churn was reduced in the residential contract segment.
  - **Business** (34% of total revenue) likewise registered good activity, recovering the negative impact of the regulatory changes of the first six months with a good performance in both fixed and mobile telephony, completing the integration of acquisitions and providing a larger portfolio of products and services.
  - **Wholesale** (45% of revenue) surpassed initial expectations despite the fact that the underlying trend in the sector is not positive and the division continued with its strategy of concentrating on high quality clients, diversifying its portfolio of services.

### Profitability: Gross Margin and EBITDA

- The Gross Margin reached 44M€, with a **Gross Margin w/Revenue of 33.4%, greater than that** obtained in **2014** (even despite the diluting impact of the Wholesale business, which was not present in 2014).  
In **pro forma terms** the **Gross Margin** reached **48M€, 34.2% over sales**.
- **EBITDA** reached 10.7M€, **increasing by +190%** in comparison with 2014, the EBITDA margin being 8.2%. The **pro forma** base was **12M€ (8.5% of the EBITDA Margin)**, **surpassing the estimate** of 11.2M€ (7.9% EBITDA Margin) **of the Business Plan**.
- A sequential improvement in activity can be seen for the second six-monthly period:
  - With an increase of 21% in sales in the second six months as opposed to the first six months of the year (+9% in pro forma terms),
  - Expansion of the EBITDA Margin from 6.2% in the first six months of 2015 to 10.6% in the second six months.

## EBIT and Cash Earnings

- The EBIT moved from negative in the year 2014 (-175k€) to positive (485k€) despite being affected by the significant increase in Amortisations (with no impact on cash) deriving from corporate operations which likewise impacted the attributable Profit.

The significant improvement in the generation of the so-called Cash Earnings is therefore more relevant (Net Profit + Amortisation Expenditure), which give a more realistic idea of the Group's improvement in generating capacity:

- The Cash Earnings went from 2.3M€ in the first six months of 2015 to 6.6M€ in the second six months.
- For the year as a whole, they increased from 4.1M€ in 2014 to 8.9M€ in 2015.

## Generation of Cash Flow

- The Group's capacity for generating cash flow meant it was able to generate both **positive Free Cash Flow**<sup>2</sup> ("FCF") and **Operating Cash Flow**<sup>3</sup> ("Oper. CF") over the year.

**The FCF went from -6,5M€ to 1,7M€, an improvement which is even more significant bearing in mind that it was achieved with a greater investment effort in capex** (double that of the previous year), and this investment did not positively impact the generation of operating cash flow as the converging broadband project was not launched until the first half of 2016.

## Other milestones of the year

- The Company structure which includes the Group's **fixed broadband infrastructure** assets was completely established by the end of the year, which were given a "**BB with Positive Outlook**" rating by Axesor.
- The **successful acquisitions** of *Neo Operador de Telecomunicaciones*, *Embou Nuevas Tecnologías* and *Ebesis Sistemas* were completed over the year.
- Likewise, two **corporate financial operations** were carried out:
  - 1) a 21.1M€ increase in capital for the acquisition of Neo;
  - 2) the issue of bonds listed on the MARF worth 27M€,

Also new investment was made in the Group's shareholding<sup>4</sup>.

In the first half of the year 2016 the **launching of MASMOVIL's integrated commercial offer** will take place, which represents a **milestone in the evolution of the Company**, as has already been mentioned previously.

<sup>1</sup> Pro forma: Implies the consolidation of Neo as of 1/1/2015, and the aggregation of the Group's different businesses and excludes the contribution from Youmobile. The operation was rejected by MASMOVIL as was stated in a Relevant Fact published on 5th January 2016

<sup>2</sup> Free Cash Flow defined as effective exploitation cash flow less tangible and intangible investments

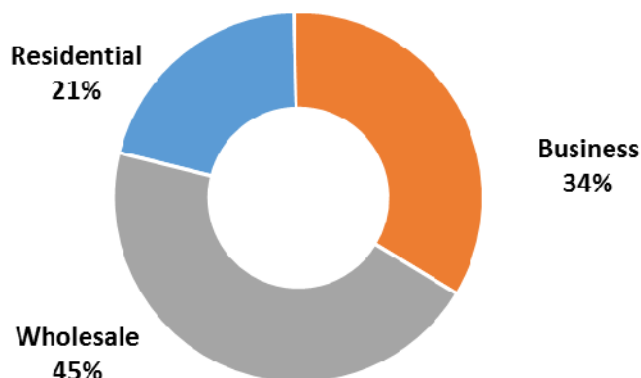
<sup>3</sup> Oper. CF defined as EBITDA less tangible and intangible investments .

<sup>4</sup> Relevant Fact of 27th October 2015

## 2. Analysis of the Consolidated Profit and Loss account

### Evolution of Revenue

#### FY15 Revenue Breakdown by Divisions



The Company's **revenue** in the year 2015 reached **130M€**, **69% greater** than the revenue for the previous year. During the second six months of the year, revenue surpassed 71M€, 21% greater than revenue for the first six months of the year.

This **increase** which is so significant of **activity** was not only due to the evolution of the Company itself, which reached a growth rate close two double figures (+9%), but also to the consolidation during this period of the acquisitions made during 2014 and at the beginning of 2015 (and commented on in depth in previous profit reports).

Before moving on to a detailed analysis of the evolution of activity for each one of the Company's divisions, it is worth emphasising that at **the end of the year the infrastructure subsidiaries** which support the Group's new converging commercial offer **had been completely constituted and audited**. This is expected to be launched in the second quarter of 2016.

Therefore, as of this communication of profits, the main segments of the Group will be structured into Residential, Companies and Wholesale, and Infrastructures.

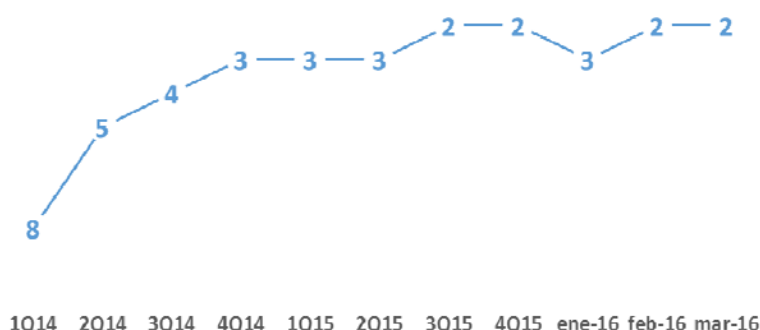
The distribution of Revenue and Gross Margin per division for the year 2015 remained reasonably stable over both six monthly periods of the year:

### Residential (21% of Revenue)

#### Net mobile portability

- The good performance of the residential mobile telephone business seen in the first six months accelerated during the second six months. This can be seen in MASMOVIL's gaining positions in the ranking of net mobile portability per group of operators. The Company reached second place in the last two quarters of the year, improving on the third position achieved in the first six months of the year which was, in turn, an improvement on the eighth place which it held at the beginning of 2014.

## MASMOVIL POSITION IN NET PORTABILITY RANKING BY GROUP (SOURCE: CNMC)



- The increase in the net mobile portability figure together with the implementation of a commercial strategy based on a continuous forming of distribution channels, intelligent and guided use of advertising and appropriate management of commissions has meant an increase in active mobile lines to 458,000, which means an increase of 29% over those existing at the end of 2014.
- The improvement in MASMOVIL's position in net portability per group of operators was steady for the first months of 2016, it being in second place for the months of February and March.
- The positive evolution of net portability is even more significant (as was mentioned in the previous profits report) when considering the recent process of concentration (Vodafone/Ono and Orange/Jazztel), which result in an increase in convergence (mobile/fixed/broadband/TV) and a greater challenge for the growth of only mobile lines. The forthcoming launching of MASMOVIL's converging offer means we can expect to keep a relevant position in portability in the year 2016, as the Company will be participating in the market tendency towards convergence.

### Increase in valued clients

- The increase in the number of clients for the year was combined with an improvement in the mix, the weight of postpayment clients increasing from 43% at the end of 2014 to more than 50% by December 2015.
- This change in the mix can also be felt in the type of new registrations of contract clients, which have gone from clients generally with low level tariffs (ZERO tariffs such as 1gb of data and 0 mins of voice), to tariffs worth more (such as ZERO tariffs including bonuses of voice minutes or the +MAS tariffs), with a positive impact on the ARPU of the residential sector.
- It is important to point out that this increase in the ARPU has been achieved without an effective Price increase and without relevant advertising support (which compares with the investment made in the first six months), being principally due to an efficient management of the tariff mix.

## Improvement of channels

- The Company managed to consolidate and enlarge its physical distribution network and forecasts additional growth for the year 2016.
- On the other hand, the Company continued to increase its online channel capacity (web and call centre), whose influence on new registrations at the end of the year had multiplied by almost two compared with figures for the end of 2014.
- Although the Company's estimates regarding new convergence clients in the months following the launching are moderate, this launching is expected to have a favourable repercussion on the evolution of the Group's mobile telephone current business. This based not only on the positive impact of the developing of exclusive channels for the selling of converging products, but also on the use of conventional advertising which help to strengthen the MASMOVI trademark.

## **Business (34% of Revenue)**

### The regulatory impact compensated

- The division of Business had a positive evolution throughout the year, compensating the negative impact of regulatory change on fixed end tariffs (-75%) which occurred at the beginning of the year with the good performance of the business being especially felt in the second six months.
- As was reported in a previous Profits Report, whilst the Company estimated that the fall in regulated prices for fixed ends would be progressive and linear throughout the year, the new regulation will implemented at the beginning of the was drastic.

This negative impact was corrected during the second six months, with sales reaching a sequential growth in this period and allowing the Company to fulfil its growth expectations for the year as a whole as previously forecast.

### Integration of the LTE offer

- During the second half of the year, the integration of the portfolio of Neo's LTE services was completed (a Company acquired in the first half of the year) together with the commercial structures that now operate in a completely coordinated way. During the year 2016 it is expected that the rationalisation of the location of the LTE sites used for the operation of the Company will continue so as to increase their efficiency by placing them in areas where the competition with fibre infrastructures is less.

### Other services and commissioning of channels

- Despite the fact that almost 80% of the revenue of the division corresponds to fixed telephone services and the internet, the mobile area grew significantly during the year, doubling its revenue and permitting a growth expectation of 50% for the year 2016 thanks to the crossed sales potential of the Group's converging offer to existing clients.
- The acquisition of broadband assets likewise means it is possible to expand the Group's target client base in the Company segment, which has traditionally been

focussed on small and medium sized companies (companies with more than 5 employees), including micro-businesses (SOHO, self-employed, etc.), by combining the integrated communications offer with value added services such as the MasCloud, SMS services, etc.

The reduction of operating costs permitted by the new broadband infrastructure belonging to the Group means we can expect an improvement in profitability of the Company's packaged offer for the beginning of the year.

- Finally, the Company completed a significant change in its sales channel commissioning structure in recent months making said channels more commercially efficient which has allowed there to be an increase in the number the Group's product and service distributors. Their impact on Profits is expected to be felt over the year 2016.

## **Wholesale (45% of Revenue)**

### Pressure in a continuous market

- Despite the significant reduction in revenue felt over the first six months and the progressive contracting of the global market which continues to have a negative influence, the wholesale business activity in the second half of the year benefitted from a certain activity which is not likely to occur again.
- Although this meant that the year closed with a level of sales that was greater than the Company had expected at the beginning of the year, the underlying tendency of the market is not positive. On the one hand, international voice traffic continues to decrease, due to the migration of minutes to OTT applications, whilst on the other hand the markets that have not been quite so affected by this phenomenon correspond to geographical zones under development which makes the establishing of wholesale business difficult.

### Concentration on quality clients and diversification

- Additionally, the Company has maintained its strategy of concentrating its activity on high quality clients, as has been mentioned in previous Reports, and this has helped to maintain business profitability levels despite a decrease in the volume of sales.
- During the last part of the year, commercial initiatives were launched with the aim of increasing the diversification of service offers, such as the exchanging of SMS's between operators, creating a new technological platform to support this initiative.
- Likewise, the Company will launch wholesale traffic services with Premium numbering where the technical capacities of the Company may be of use to certain target clients.
- The sum of these initiatives together with the rationalisation of the business made in the last quarters means we can expect the business activity to be stable for the year 2016, both with regards to sales and to profitability.



## Analysis of Profitability

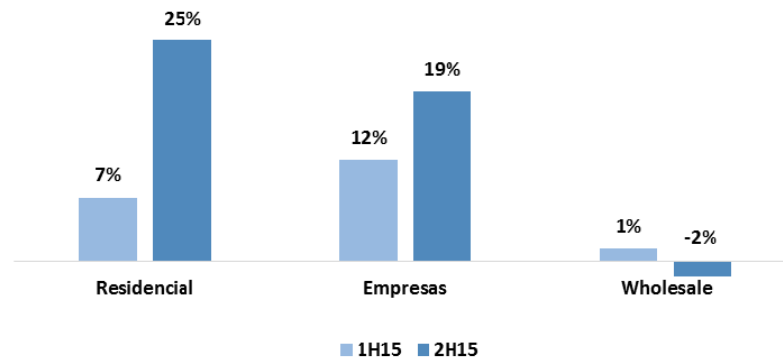
Profit & Loss Account to EBITDA (€ '000)	2014	2015	% Change
<b>Net Revenues</b>	<b>77,005</b>	<b>130,249</b>	<b>69%</b>
Work for own assets	2,152	2,813	31%
Purchases	-58,818	-89,498	52%
<b>Gross Profit</b>	<b>20,339</b>	<b>43,564</b>	<b>114%</b>
<b>Gross Margin</b>	<b>26.4%</b>	<b>33.4%</b>	<b>7.0 p.p.</b>
Other revenues	264	275	4%
Personel	-8,412	-14,696	75%
Other operating costs	-8,517	-18,487	117%
<b>EBITDA</b>	<b>3,674</b>	<b>10,656</b>	<b>190%</b>
<b>EBITDA Margin</b>	<b>4.8%</b>	<b>8.2%</b>	<b>3.4 p.p.</b>

- The **Gross Margin** for the year reached **43.6M€**, more than twice that of the **previous year**, having registered in the second half of the year a significant growth of 58% of the Gross Margin from 16.9M€ in the first half of the year to 26.7M€ in the second.
- The continued focus on the managing of direct costs meant that the increase of these costs was less than that of revenue resulting in, together with the contribution from the acquired companies which is greater than average for the Group, an **increase** of the **Gross Margin** over revenue of **33.4%**, an **improvement of 7 p.p.** over the margin for the year 2014.
- This improvement of the Gross Margin as a percentage of revenue can likewise be seen sequentially in the two six monthly periods of the year, having increased almost 9 percentage points in the first six months to 38% in the second (with an increase of 2 p.p. in pro forma terms).
- At the same time, during the year, and with special emphasis on the second six months (once the acquisition of Jazztel's broadband assets was completed), the Company assumed an **increase in operating costs** geared towards the launching of the converging commercial strategy, principally:
  - On the one hand, the **managerial team** was **completed** using professionals with broad experience in the telecommunications sector and financial markets, reinforcing MASMOVIL's capacity for making full use of the opportunities for growth in the market for converging offers, given that most of these professionals had led similar growth projects in the past. At the end of the year the Company considered its managerial team to be practically complete and operational.
  - On the other hand, costs were incurred which were directly related with the obtaining of **broadband assets** and the preparation for their **exploitation** in the year 2016.
  - Finally, **commercial efforts** were **intensified** for improving the positioning of the MASMOVIL trademark.
- Despite the costs of these actions, the **EBITDA** for the year **reached 10.7M€, an increase of +190%** compared with figures for 2014 (**12M€, +10% in pro forma**

terms), and the EBITDA Margin (EBITDA over Revenue) 8.1% (**8.5% pro forma**), with a clear progression from the 6.2% registered in the first half of the year to the 9.7% of the second half.

- This increase in profitability at an EBITDA level in the second half of the year was due to the improvement of both the Residential and the Companies divisions, which made up for the slight drop in profitability in the Wholesale division.

EBITDA Margin proforma by divisions  
(2H15 - 1H15)



- In fact, the pro forma EBITDA margin, excluding Wholesale, increased from 7.4% registered in the first half of the year to 20.1% in the second.
- The improvement in the EBITDA Margin for the Residential division was based principally on greater management efficiency both regarding direct costs and sales staff costs in the second six months as opposed to the first half of the year, whereas in the Companies division, the reduction in direct costs as a percentage of revenue was partially compensated by the greater commercial efforts made in the second half of the year.

Profit & Loss Account below EBITDA (€ '000)	2014	2015
<b>EBITDA</b>	<b>3,674</b>	<b>10,656</b>
<b>EBITDA Margin</b>	<b>4.8%</b>	<b>8.2%</b>
Amortization	-3,905	-10,382
Subsidies (non financial)	71	239
Other results	-15	-28
<b>EBIT</b>	<b>-175</b>	<b>485</b>
<b>EBIT Margin</b>	<b>-0.2%</b>	<b>0.4%</b>
Financial results	-512	-2,501
<b>Earning before Tax</b>	<b>-687</b>	<b>-2,016</b>
<b>Earning before Tax (% of revs)</b>	<b>-1%</b>	<b>-2%</b>
Taxes	809	509
<b>Net Income before minorities</b>	<b>122</b>	<b>-1,507</b>
<b>Net Income before minorities (% of revs)</b>	<b>0</b>	<b>0</b>
Minorities	-72	0
<b>Net Income</b>	<b>194</b>	<b>-1,507</b>
<b>Cash Earnings (NI + Amortization)</b>	<b>4,099</b>	<b>8,875</b>

- Following the EBITDA, it is worth mentioning the increase in Amortisation costs (with no impact on cash), related principally with greater amortisations of assets deriving from the accounting of the acquisitions made in the years 2015 and 2014 (5M€ approximately), the amortisation being associated with the underlying business more in line with the growth of activity throughout the year. This led to a slightly negative figure for Net Profits.
- However, a significant improvement can be seen in the generation of the so-called **Cash Earnings** (Net Profit + Amortisation Cost), which **doubled during the year** and which **gives a more realistic idea** of the **Group's improvement when generating cash**:
  - Cash Earnings went from 4.1M€ in 2014 to 8.9M€ in 2015,
  - With a relevant improvement from 2.3M€ in the first six months to 6.6M€ in the second.

## 3. Analysis of the Consolidated Balance Sheet

Balance Sheet (€ '000)	31/12/2014	31/12/2015	% Change
<b>LT Assets</b>	<b>84,853</b>	<b>234,241</b>	<b>176%</b>
Goodwill	53,064	78,256	47%
Fixed Intangible assets	15,040	43,728	191%
Fixed tangible assets	3,906	96,082	n.m.
LT Investments	2,219	2,942	33%
Tax assets	10,624	13,233	25%
<b>Current Assets</b>	<b>41,696</b>	<b>156,661</b>	<b>276%</b>
Assets held for sale	400	401	0%
Inventory	166	199	20%
Accounts receivable and others	29,349	120,787	312%
ST Financial investments	2,712	4,027	48%
Periodificaciones y otros	267	749	181%
Cash and Equivalents	8,802	30,498	246%
<b>Total ASSETS</b>	<b>126,549</b>	<b>390,902</b>	<b>209%</b>
<b>Shareholders' Equity</b>	<b>65,635</b>	<b>90,718</b>	<b>38%</b>
Equity	65,277	89,035	36%
Adjustments for change in value	-4	-10	150%
Subsidies, etc	362	1,693	368%
<b>LT Liabilities</b>	<b>16,283</b>	<b>134,020</b>	<b>723%</b>
LP Provisions	130	130	0%
LP Debt	9,669	56,174	481%
Debt with special characteristics	5,321	3,722	n.m.
LP accounts payable	91	0	n.m.
Tax liabilities	1,072	5,410	405%
Unearned revenues	0	68,584	n.m.
<b>ST Liabilities</b>	<b>44,631</b>	<b>166,164</b>	<b>272%</b>
ST Provisions	1,374	762	n.m.
ST Debt	4,174	10,899	161%
Other liabilities	2,528	110,041	n.m.
Debt with special characteristics	1,539	2,724	77%
LP accounts payable	32,631	39,684	22%
Time items	2,385	2,054	n.m.
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>126,549</b>	<b>390,902</b>	<b>209%</b>
Gross Financial Debt	20,703	73,519	255%
Cash & Equivalents	8,802	30,498	246%
<b>Net Debt</b>	<b>11,901</b>	<b>43,021</b>	<b>261%</b>

The comparison of the Consolidated Balance Sheet of 31st December 2015 with that corresponding to the closing of 2014 shows not only the increase in the size of the Group as a result of its organic and inorganic growth (detailed below), but also the incorporation of the assets acquired from Orange/Jazztel during the second half of 2015.

- During the year, the Company tripled its assets from 127M€ to 391M€. Further to the corporate operations involving the acquisition of companies completed in the first six months of the year (which will be detailed below in this chapter), the main

factor behind this increase in the company's assets and liabilities was the acquisition of assets from Orange/Jazztel:

1. FTTH network in Madrid, Barcelona, Valencia, Malaga and Seville consisting of a minimum of 733k real estate units and recorded at the end of the year with a net book value of 89M€ in the epigraph Tangible Fixed Assets. Payment for these assets was pending at the end of the year (and recorded in the epigraph Other Short Term Financial Assets in the Balance Sheet, including the corresponding VAT, amounting to a total of 108M€), this being made at the beginning of 2016.

With regard to this FTTH network, the Group awarded indefeasible right of use ("IRU") to Orange/Jazztel, for a pre-paid amount of 69M€. This IRU is recorded in the concept of Revenue to be Distributed over Several Years in the liabilities of the Balance Sheet as it corresponds to revenue to be distributed over the next 35 years and given that the amount is still pending receipt it also appears in the Assets of the Client Account for 83.5M€ (including VAT).

2. Indirect right of use of Telefónica's copper network provided by Jazztel (xDSL) for a period of 4 years, which may be extended for a further 4 years. The present value of the future flows to be paid reaches 20M€ and is recorded in the Group's Balance Sheet under assets as Intangible Fixed Assets and in liabilities as Other Financial Long Term Liabilities.
- The Net Worth reached 91M€, +38% in comparison with the figures for the end of 2014.
  - The Group's net financial debt for the year was 43M€, (the Company having liquid assets of 30M€), as opposed to a financial debt of 12M€ at the end of 2014.

The variation in the level of net indebtedness basically corresponds to i) payments made or future payments for the acquisition of companies (details below), as well as the financial debt incorporated by the companies themselves and especially ii) the incorporation in the second six months of 2015 of the assets acquired from Orange/Jazztel, principally the IRU for Jazztel's xDSL network mentioned above (given that the liabilities corresponding to the FTTH network were recorded in current assets).

## Financing operations in the year

On 23rd June, the successful issue of corporate bonds took place for a value of 27M€:

- Prior to the issuing of the bonds, Axesior, the rating agency accredited at a European level by the ESMA, published the awarding to MASMOVIL of a "BB with positive Outlook" rating. According to the Axesior report, the main strengths of Company consist of:
- The issue of corporate bonds consists of 270 "Senior" type bonds with a nominal value of 100,000€ each one. The bonds were subscribed by 16 institutional investors and are currently listed on the MARF. The bonds issued had a 5 year

term, their expiry date being 30<sup>th</sup> June 2020, and they give an annual coupon with a 5.50% interest rate.

Following the closing of the fiscal year, the rating agency Axesor on 18th February 2016 also awarded the Group's 100% subsidiary, Masmovil Broadband S.A., a "BB with positive Outlook" credit rating, taking into account the broadband expansion project being undertaken by this subsidiary.

## Corporate operations during the year

The acquisition of the following was completed in the first six months of the year:

- *Embou Nuevas Tecnologías S.L.* ("Embou") telecommunications operator and leader in the rural areas of Aragón.
- *Ebesis Sistemas S.L.*, ("Ebesis") cloud infrastructure provider for companies in Aragón with its own data centre.
- *Neo Operador de Telecomunicaciones S.L.U.* ("Neo"), telecommunications operator specialising in the business sector and public administrations and whose principal offer is internet Access over a 3.5 GHz frequency infrastructure.

To make the payment for these companies, the existing liquid assets were used together with the delivery (or promise of delivery) of newly issued shares:

- The acquisition of Ebesis and Embou required a disbursement of 1.95M€, plus 195,000 shares in the Group to be delivered in 2016 (20,000 shares) and 2018 (175,000 shares). Furthermore, there is an earn-out which was recorded as the greatest indebtedness due to its reasonable value which is slightly less than 2 million euros.
- The Price of the Neo operation was 27.1M€ and it was structured by means of a combination of a cash payment (6M€) and shares (the issue of 1,252,606 shares in a capital increase through a conversion of debt).

## 4. Analysis of Cash Flow Statements

Cash Flow Statement (€ '000)	2014	2015	Change
<b>Earnings b/ Taxes</b>	<b>(687)</b>	<b>(2,016)</b>	<b>(1,329)</b>
D&A	3,905	10,382	6,477
Financial result	718	2,227	1,509
Othe adjustments to earnings	1,108	2,060	952
<b>Total adjustments to earnings</b>	<b>5,731</b>	<b>14,669</b>	<b>8,938</b>
Change in current capital	(6,399)	1,195	7,594
Payments/Collections of interest	(690)	(2,221)	(1,531)
<b>CF f/ Operations</b>	<b>(2,045)</b>	<b>11,627</b>	<b>13,672</b>
Intangible capex	(3,753)	(7,792)	(4,039)
Tangible capex	(975)	(4,078)	(3,103)
Subsidies, etc	290	1,924	1,634
<b>Net Capex</b>	<b>(4,438)</b>	<b>(9,946)</b>	<b>(5,508)</b>
<b>FCF</b>	<b>(6,483)</b>	<b>1,681</b>	<b>8,164</b>
Financial investments	(10,980)	(8,354)	2,627
Other financial assets	1,422	(1,969)	(3,391)
<b>CF f/ Investments</b>	<b>(13,996)</b>	<b>(20,269)</b>	<b>(6,272)</b>
Issuance of shares	25,000	-	(25,000)
Other payments/collections from equity	(1,256)	85	1,341
Bonds and similar	-	27,199	27,199
Other payments/collections f/ fin. Instr.	(3,652)	3,052	6,704
<b>CF f/ Financing</b>	<b>20,092</b>	<b>30,336</b>	<b>10,244</b>
<b>Change in Cash &amp; Equivalents</b>	<b>4,051</b>	<b>21,695</b>	
Initial Cash & Equivalents	4,751	8,802	
<b>Final Cash &amp; Equivalents</b>	<b>8,802</b>	<b>30,498</b>	

As can be seen in the table above, the main points to emphasise concerning MASMOVIL's cash flow over the year are:

- **The company has improved from having a negative operating cash flow** in 2014 (-2M€) to positive in 2015, **11M€**, having significantly improved its management of working capital.
- Tangible and intangible investments net of Group subsidies reached 10M€ in 2015, as opposed to 4.4m€ in 2014, reflecting the **greater effort for business innovation and development** taken on during the year.
- Despite this effort in Capex, MASMOVIL managed to **generate both positive Free Cash Flow ("FCF") and Operating Cash Flow ("Oper CF") during the year:**

# MASMOV!L

- The **Oper. CF** went from being **negative** in 2014, **-760k€** to **positive (710k€)** in 2015
- The **FCF** also went from **negative (-6.5M€)** to **positive (1.7M€)**.

This improvement in the capacity for generating cash flow is even more relevant if we consider that it was achieved despite the high level of investment (tangible and intangible) made during the year (doubling the investment made in the previous year), a large part of which was related with the converging broadband project which has still to have a positive impact on the generation of operating cash flow.



## 5. Pro Forma Profit and Loss Account and compliance with the Business Plan

For another year, the MASMOVIL Group achieved or surpassed the financial objectives established for the year 2015 in proforma terms<sup>1</sup>.

These objectives were explained to the market as part of the presentation of the company's new Business Plan last October, which details MASMOVIL's project for expansion in the converging fixed broadband market with mobile telephony.

### Proforma <sup>1</sup> Consolidated P&L (€ '000)

	1H15	2H15	% Change	2015 Proforma	2015 Business Plan	% Achievement
<b>Total Revenues</b>	<b>67,549</b>	<b>73,765</b>	<b>9%</b>	<b>141,314</b>	<b>141,673</b>	<b>100%</b>
Gross Profit	23,340	25,029	7%	48,369	48,336	100%
<b>Gross Margin</b>	<b>34.6%</b>	<b>33.9%</b>	<b>-0.6 p.p.</b>	<b>34.2%</b>	<b>34.1%</b>	<b>100%</b>
EBITDA	4,192	7,822	87%	12,014	11,199	107%
<b>EBITDA Margin</b>	<b>6.2%</b>	<b>10.6%</b>	<b>4.4 p.p.</b>	<b>8.5%</b>	<b>7.9%</b>	<b>108%</b>

As can be seen above, MASMOVIL achieved this year:

- A level of **total revenue** greater than 141M€, which means **100% compliance with the objective for the year**, excluding the impact that the acquisition of Youmobile would have had (which MASMOVIL rejected and communicated through a Relevant Factor on 5th January last and which was found in the pro forma basis in the profits for the first six months<sup>2</sup>).

It is worth mentioning the **acceleration** found in the **pro forma sales for the second six months of the year when compared with the first**, and these reached 9%, a growth rate that only reflects the organic growth of the company with no positive impact being derived from corporate operations (as opposed to 21% in reported terms).

The Group's level of revenue for the year was 10% lower than that obtained as a constant basis (in other words, over the pro forma figure for the previous year assuming the same consolidated basis for all of 2014 as that at the end of 2015), in line with the company's expectations, reflecting a **growth of 1% in the Residential segment and 6% in Companies**, together with a decrease in revenue in the Wholesale segment that had been reported the previous six monthly period.

<sup>1</sup> Including the consolidation of Neo as of 1st January 2015. Not including Youmobile, an operation finally rejected and that was incorporated in the financial objectives mentioned in the Profits Report for the first six months

<sup>2</sup> The contribution expected from Youmobile was 4.6M€ in revenue; 1.6M€ at a gross margin level and 0.3M€ at EBITDA level

- The pro forma **Gross Margin** reached 48M€ which represents a percentage of **compliance of 100%** with the Business Plan.

The success of the company in controlling direct costs meant it could achieve a **pro forma Gross Margin w/revenue** of 34.2%, **in line with the Business Plan** (34.1%), without there being a substantial variation between the first and second six monthly period and allowing an expansion of the margin greater than 5 percentage points when compared with figures for 2014.

In terms of a comparable basis, the Gross Margin increased by 7%, with an expansion over revenue of 5.4 p.p.

- As was mentioned in the profits report for the first six months of the year, the effort made in preparing MASMOVIL's converging offer lowered the pro forma EBITDA of the first six months to a figure of almost 6%.

However, and despite the fact that the launching costs of the converging offer continued into the second six months, resulting in the expected launching of said offer for the second quarter of 2016, **the EBITDA margin increased for the second six months to almost 10%.**

Thus, the company **not only complied with the indications** given last September **regarding** the expected **increase in profitability** in the second half of the year, **but 107% of its EBITDA objective** was reached for the **year** as a whole, reaching a figure of 12M€, with an EBITDA margin greater than 8.5%.

The pro forma profitability obtained in 2015 in terms of EBITDA Margin is more than a percentage point above that reached for the year 2014 at a constant basis, having obtained an increase of 10% in the EBITDA generated in the year in comparable terms.

## Proforma Consolidated P&L at Constant (2015) Perimeter (€ '000)

	2014 (perímetro 2015)	2015 Proforma	% Variación
Residencial	28,938	29,122	1%
Business	46,873	49,730	6%
Wholesale	81,385	64,301	-21%
<b>Total Revenues</b>	<b>157,196</b>	<b>141,314</b>	<b>-10%</b>
Gross Profit	45,358	48,369	7%
<b>Gross Margin</b>	<b>28.9%</b>	<b>34.2%</b>	<b>5.4 p.p.</b>
EBITDA	10,878	12,014	10%
<b>EBITDA Margin</b>	<b>6.9%</b>	<b>8.5%</b>	<b>1.6 p.p.</b>

## 6. Financial expectations and objectives for the year 2016

The business evolution of the Company during the first months of the year 2016, and the expectations for the launching of the converging commercial offer in the second quarter of the year allow the Company to have confidence in achieving its 2016 financial targets which are **to achieve double digit revenue growth in both Revenues and EBITDA.**

## 7. Relevant Facts after the end of the year

- On 3rd March 2016 a Relevant Fact was published concerning the fact that **MASMOVIL's fixed broadband Project had received a BB with positive Outlook rating from Axesor** ([www.axesor.es](http://www.axesor.es)), a Spanish credit rating agency (which is currently general secretary of the EACRA).

This rating comes within the financing process for the expansion plan for the fixed broadband network (especially FTTH) that the Company has underway and which was made public through the presentation of the new Business Plan 2015-2018 on 27<sup>th</sup> October 2015.

- A Relevant Fact was issued on 5<sup>th</sup> January 2016 to report on the **rejection of the Youmobile acquisition operation** based the information obtained from the due diligence, provided by EY, and the lack of agreement between the parties concerning economic aspects relevant to the transaction.
- On 5<sup>th</sup> January 2016 a Relevant Fact was published which stated the **significant shareholdings as of 31st December 2015**, these being those held by Mr José Eulalio Poza Sanz (11.3%) and Neo Sky 2002, S.A. (10.3%).