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MASMOVIL

MASMOVIL BROADBAND, S.A.U.

(incorporated in Spain with limited liability in accordance with the Spanish Law on Corporations)

38,000,000 EURO

5.75 per cent. 380 Senior covered bonds due in 2024

**OFFERING CIRCULAR (*DOCUMENTO INFORMATIVO DE INCORPORACIÓN*) ON
THE EVENTUAL ADMISSION (*INCORPORACION*) OF MID- AND LONG-TERM
SECURITIES ON THE SPANISH ALTERNATIVE FIXED-INCOME MARKET (MARF)**

MASMOVIL BROADBAND, S.A.U., a Spanish limited company with corporate address at Vía de las Dos Castillas, Km.33, Complejo Ática, Edificio I, 28223 Pozuelo de Alarcón (Madrid), registered in the Companies Registry of Madrid in Volume 33.681, Page 76, Section 8, Sheet M-606314, entry 6, holder of tax identification number A-87297354 is requesting the admission (*incorporación puntual*) of the Bonds issued pursuant to this Offering Circular (*Documento Informativo de Incorporación*) on the Spanish Alternative Fixed-Income Market (*Mercado Alternativo de Renta Fija* or “**MARF**”).

This Offering Circular on the Eventual Admission (*Incorporación Puntual*) of mid- and long-term securities includes the information required by Annex 1-B of the Circular Letter 1/2015 published by MARF on 30 September 2015 regarding the admission and exclusion of securities to trading on the Alternative Fixed-Income Market (the “**MARF Circular Letter 1/2015**”).

The Bonds have certain requirements for the Issuer (*covenants*), which are detailed in Section VIII.5 of the Offering Circular.

The issuer is requesting the admission (*incorporación*) of the Bonds to trading on MARF. MARF is a multilateral trading system and not a regulated market, in accordance with the provisions set out in Directive 2004/39/CE of the European Parliament and Council of 21 April regarding markets of financial instruments. There is no guarantee that the MARF market price of the Bonds will be maintained. Broad distribution cannot be guaranteed, nor can it be ensured that Bonds on the market will be actively traded. It is also not possible to ensure the development and liquidity of the trading markets for the Issuance.

The Bonds are represented by book entries (*anotaciones en cuenta*) in IBERCLEAR pursuant to Section VIII.11 of the Offering Circular.

**Investing in the Bonds carries certain risks.
Please read Section III, “Risk Factors”, of the Offering Circular.**

This Offering Circular (*Documento Informativo de Incorporación*) is not a prospectus (*folleto informativo*) approved and registered before the National Securities Market Commission (CNMV). The Issuance of the securities does not constitute a public offering in accordance with the provisions of Article 35 of the Amended and Restated Text of the Securities Market Law, approved by Royal Legislative Decree 4/2015 of 23 October (the “LMV”), which exempts the obligation to approve, register and publish an information prospectus in the National Securities Market Commission. The Issuance is directed exclusively to professional and qualified investors in accordance with the provisions of Article 205 of LMV and Article 39 of Royal Decree 1310/2005 of 4 November, which partially develops Law 24/1988 of 28 July of the Securities Market, with regard to the admission of securities to trading on official secondary markets, public offerings or subscription, and the prospectus required for these purposes.

No action has been taken in any jurisdiction to permit a public offering of the Bonds or the possession or distribution of the Offering Circular or any other offering material in any country or jurisdiction where such action is required for said purpose.

The Management Company (*Sociedad Rectora*) of MARF has not made any kind of verification or check in relation to this Offering Circular of Incorporation, nor about the contents of the documentation and information provided by the Issuer in compliance with the MARF Circular Letter 1/2015 regarding the admission and exclusion of securities to trading on the Alternative Fixed-Income Market.

GLOBAL COORDINATOR (*ENTIDAD COORDINADORA GLOBAL*)

INTERMONEY VALORES, S.V., S.A.

JOINT BOOKRUNNERS (*ENTIDADES COLOCADORAS*)

BANCO DE SABADELL, S.A. BANKINTER, S.A. BEKA FINANCE, S.V., S.A. INTERMONEY VALORES, S.V., S.A.

The date of this Offering Circular is 16 March 2017

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I. IMPORTANT INFORMATION

This Offering Circular (in Spanish “*Documento Informativo de Incorporación*”) on the Eventual Admission (*Incorporación Puntual*) of Mid- and Long-term Securities includes the information required by Annex 1-B of the Circular Letter 1/2015 that the *Mercado Alternativo de Renta Fija* (“**MARF**”) published on 30 September 2015 regarding the admission and exclusion to trading of securities on the Alternative Fixed-Income Market (the “**MARF Circular Letter 1/2015**”).

Neither the Issuer nor the Joint Bookrunners have authorised any entity or person to provide for information to the potential investors that is different than the information contained in this Offering Circular. The potential investor should not base its investment decision on information other than the information contained in this Offering Circular.

The Joint Bookrunners do not assume any kind of liability for the contents of the Offering Circular. The Joint Bookrunners have signed a placement contract (*contrato de colocación*) with the Issuer but neither the Joint Bookrunners nor any other entity has assumed any underwriting commitment as regards the Issuance. This is without prejudice to each of the Joint Bookrunners being able to acquire part of the Bonds in its own name.

The Management Company (*Sociedad Rectora*) of the Alternative Fixed-Income Market (“**MARF**”) has not made any type of verification or check in relation to this Offering Circular, nor with regard to the contents of the documentation and information provided for by the Issuer in compliance with the aforesaid MARF Circular Letter 1/2015.

The Issuer is requesting the admission (*incorporación*) to trading of the Bonds on MARF. MARF is a multilateral trading system and is not a regulated market, in accordance with the provisions set out in Directive 2004/39/CE of the European Parliament and Council of 21 April related to the markets of financial instruments. There is no guarantee that the Bond quotation price on MARF will be maintained.

The Bonds are represented through book entries (*anotaciones en cuenta*), and the entity in charge of the records of such book entries is the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (“**Iberclear**”) and its authorised participating entities (the “**Participating Entities**”), in accordance with the provisions set out in Section VIII.11 of the Offering Circular.

SALES RESTRICTIONS

No action has been taken in any jurisdiction to permit a public offering of the Bonds or the possession or distribution of the Offering Circular or any other offering material in any country or jurisdiction where such action is required for said purpose.

In particular:

European Union

This private placement is directed exclusively for qualified investors in accordance the provisions set out in Article 2.1.e) of the Directive 2003/71/EC. Therefore, neither the Issuance nor this Offering Circular have been registered with any competent authority of any Member State.

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Spain

This Offering Circular has not been registered with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*, the “**CNMV**”). The Issuance of the securities does not constitute a public offering pursuant to the provisions set out in Article 35 of the Royal Legislative Decree 4/2015 of 23 October, which approves the amended and restated text of the Securities Market Law (the “**LMV**”). The Issuance is directed exclusively to qualified investors or professional clients in accordance with the provisions set out in Article 205 of LMV and Article 39 of Royal Decree 1310/2005 of 4 November, which partially develops Law 24/1988, of 28 July, of the Securities Market, which regulates the admission of securities to trading on official secondary markets for public sale offerings or subscription and the prospectus required for said purposes (the “**Royal Decree 1310/2005**”).

Portugal

Neither the Issuance nor this Offering Circular have been registered with the Portuguese Securities Market Committee (*Comissão do Mercado de Valores Mobiliários*) and no action has been carried out that may be considered as a public offering of Bonds in Portugal.

Accordingly, the Bonds may not be offered, sold or distributed in Portugal, unless such offer, sale or distribution is made in accordance with the provisions set out in Articles 109, 110 and 11 of the Portuguese Code of Securities (*Código dos Valores Mobiliários*).

Andorra

No action has been carried out in Andorra that could require the registration of this Offering Circular with any authority of the Principality of Andorra.

Switzerland

This document is not intended to constitute an offer or invitation to invest in Bonds in Switzerland. The Bonds may not be subject to a directly or indirectly posted or public offering in Switzerland, and shall not be accepted for quoting on the SIX Swiss Exchange or on any other Swiss market. Neither this document nor the Issuance or the marketing materials of the Bonds constitute a prospectus for the purposes of Article 652a or Article 1156 of the Swiss Code of Bonds, or a prospectus for accepting quotes in accordance with the SIX Swiss Exchange rules for admission to trading nor any other Swiss market.

United States

This document must not be distributed, directly or indirectly, in (or sent to) the United States of America in accordance with the definitions of regulations (the “**Securities Act**” of 1933 of the United States of America (the “**U.S. Securities Act**”). This document is not a securities sales offering or the request for a securities purchase order, nor shall there be any securities offering in any jurisdiction in which said offering or sale is considered to contravene the applicable legislation. The Bonds have not been (nor will they be) registered in the United States of America for the purposes of the U.S. Securities Act and may not be offered or sold in the United States of America without registration or application of an exemption of registration in accordance with the U.S. Securities Act. There will be no public offering of the bonds in the United States of America nor in any other jurisdiction.

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United Kingdom

Financial Publicity: Any invitation or incentive to participate in an investment activity shall only have been communicated or have been the cause of communication, will be communicated or will be the cause of any communication (along the lines of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) received in connection with the sale of the Bonds under the circumstances in which Section 21 (1) of FSMA would not apply to the Issuer.

General Compliance: the Issuer has complied and will comply with all applicable provisions of the FSMA with respect to any action in relation to the Bonds that assume participation in the United Kingdom in any way.

II. SUMMARY

1. General Overview of the Issuer's Business

MASMOVIL BROADBAND, S.A.U. (“**MASMOVIL BROADBAND**” or the “**Issuer**” or the “**Company**”) is the company incorporated with the purpose to carry out the business related to fixed broadband internet for the listed group Masmovil Ibercom, S.A. (“**Masmovil**”).

The project started from the awarding in favour of Masmovil of the fibre optic network assets (fibre to the home or FTTH) put up for sale by Jazztel as imposed by the European Commission within the process of the acquisition of Jazztel by Orange, and which includes access to the copper network deployed by Jazztel to provide for fixed broadband service (xDSL technology). Both assets are commonly known as “remedies” because they are a measure aimed at fostering competency in the event that a company is no longer in the market. In this framework, agreements are also reached for the shared and limited use of the acquired FTTH network (IRU agreement, which stands for indefeasible rights of use).

The project also consists of, along with the development of its own network of the remedies, the deployment of the new individual network by MASMOVIL BROADBAND, and the use of the FTTH network of a third party, for which it have been signed during the second half-year of 2016 certain agreements to provide for access services, co-sharing infrastructure and FTTH traffic transport service with Orange Espagne, S.A. Unipersonal (“**Orange**”) within the framework of assigning the remedies from the Jazztel-Orange transaction. With the new deployment, the Company is attempting to supplement the infrastructure acquired to Jazztel with assets located in areas of low competitiveness (10,000-50,000 inhabitants).

Therefore, MASMOVIL BROADBAND is configured as an operator of infrastructures that provides for a network to the commercial operations of Masmovil, Jazztel, and Orange (in that part of the corresponding network), containing the assets of the individual network, and the indefeasible rights of use (IRU) for the assets that are not owned. Orange is a leading company in the Spanish telecommunications sector (among the top 3 according to the ranking published by the National Securities Market Commission (“**CNMC**”)) and with its own ADSL and fibre network. The capacity of the FTTH network (current and future), which would reach 2.3 million real estate units (UU.II.) at the end of 2019, is estimated to be sufficient for MASMOVIL BROADBAND to be able to fulfil its business purposes, and at the same time facilitate the entry of other operators if required to improve income generation.

On 11 July 2016, the Issuer signed with ZTE España, S.L.U. an agreement for the supply, installation, testing, procurement and maintenance of equipment for a telecommunications network within the framework of the deployment in Spain of the Issuer's FTTH network in a project for the deployment of the aforesaid network to give service to 500,000 real estate units, in an amount equal to twenty-five million euro (€25,000,000). The aforesaid agreement included a financing commitment by ZTE España, S.L.U. in favour of the Issuer for the amount of twenty-five million euro (€25,000,000) on account of products, goods, services and deployment's works, but of which the Issuer has not disbursed any amount.

This agreement with ZTE España, S.L.U. has been subject to early termination and cancellation by mutual agreement between the parties thereto on 20 February 2017, being replaced by the new agreement for the supply and maintenance of equipment that the Issuer has signed with Huawei Technologies España, S.L.U. (“**Huawei**”) as the main provider of network infrastructures on 10

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February 2017, in terms essentially equivalent to those agreed with ZTE España, S.L.U. under the agreement of 11 July 2016 already terminated, but not including any financial indebtedness nor the granting of *in rem* security interests of any kind.

Thus, the project carried out by MASMOVIL BROADBAND includes the following business scope:

Start of marketing operations on:

- the fibre network acquired to Jazztel (FTTH remedies) and shared therewith (IRU Jazztel),
- the copper network leased to Jazztel (xDSL remedies), and
- the fibre network for which an indefeasible right of use will be acquired to Orange (IRU Broadband both on FTTH fibre already deployed as well as newly created network according to the decision of the Company).

Developing the assets of the individual network (current and future):

- for the remedies (EMBOU NUEVAS TECNOLOGÍAS S.L.U. subsidiary),
- expanding the deployment on the FTTH network acquired from Jazztel (also applies to IRU Jazztel),
- deployment of a new individual network (FTTH) that will have an indefeasible right of use on behalf of Orange (Orange's IRU).

Obtaining access services to third party network assets (current and futures):

- making available to MASMOVIL BROADBAND certain services of fibre access in some areas where Orange has FTTH coverage and the Company so requests,
- extension of the scope of the co-sharing FTTH network infrastructures between Orange and the Company,
- amendment of the economic conditions of the indirect supply service (bitstream) over Orange's copper network,
- obtaining FTTH traffic transport services from certain optical line terminals ("OLT") from the co-shared network and the services of fibre access provided for in the co-sharing agreements and their addenda, to two national interconnection nodes.

2. Track record and description of the Project

The Project Hermes I (the "**Project Hermes I**") is based on the incorporation of the infrastructure subsidiary of the MasMovil Group following the acquisition of assets from the remedies of the Orange/Jazztel transaction, in addition to the co-sharing infrastructures agreements regarding the individual network of Orange and the direct investment of the subsidiary in the FTTH fibre (individual network of MASMOVIL BROADBAND), and especially, it refers to the financing through a project bond which its first issuance was made on 26 July 2016, with a medium-term maturity and that was collateralized by the aforesaid assets, already in the balance sheet of the infrastructures subsidiary, plus those that are obtained from converting the issuance proceeds into

assets.

2014-2015. In 2014, Masmovil reached certain agreements to acquire the Spanish companies “EMBOU NUEVAS TECNOLOGÍAS S.L.U.” (“**EMBOU**”) and “NEO OPERADOR DE TELECOMUNICACIONES S.L.U.” (“**NEO**”), which acquisitions were completed in 2015, and constitute the start of Masmovil in the business of the fixed broadband infrastructures.

As regards the acquisition of EMBOU, the MasMovil Group acquires a telecommunications operator from the Spanish Community of Aragon that, within its track record in broadband services (ADSL indirect, WIMAX) has experience in the development and management of the individual FTTH network, giving coverage to more than 15,000 BU (real estate units) in 7 municipalities from the Community of Aragon (approximately 43,000 inhabitants).

With the acquisition of NEO (spin-off of the commercial business of the Spanish company named “NEO SKY 2002”), Masmovil acquires experience and clients in the broadband service for companies and public administrations, in this case operating on the 3.5 GHz frequency on 4G/LTE technology.

2015. On 19 May 2015, the European Committee approved, subject to certain conditions that foster competitiveness in the market, the acquisition of Jazztel by Orange. These conditions include, among others, measures (remedies for the aforesaid purposes):

- Sale to a third party of part of the FTTH fibre network of Jazztel until reaching a similar footprint to the entire Orange FTTH infrastructure to the close of the 2014 financial year. It is initially estimated in 13 locations in the provinces of Madrid, Barcelona, Valencia, Seville and Malaga, about an estimate of no more than 750,000 BU (business units). To avoid Jazztel repeating the network already deployed, the shared use is permitted through the assignment of a part thereof.
- For the acquiring party of the fibre optics, indirect access (bitstream) to the Jazztel copper network during four years, which can be extended up to eight through a simply request by the acquiring party. It is hereby established that the agreement offers economic conditions that permit a competitive service offer for the purchaser.

On 31 July 2015, MASMOVIL BROADBAND and Jazztel agreed to the terms of the transaction, and formalised those for which the assignments were granted to the Jazztel individual network and Orange (the IRU), and the general trading framework, which will govern the operational operation of the project. The agreements between the parties, and that also contain the aspects that are currently being negotiated, are set forth in:

Acquisition and rights of use of the infrastructures (remedies).

FTTH Remedies

- MASMOVIL BROADBAND acquires, for 89 million euro, the FTTH network, consisting of 740,391 real estate units. Jazztel shall operate the network for a fixed transition period in 12 months and will finance the maintenance for the part corresponding to its clients (initially the entirety of the cost thereof).
- Jazztel acquires an indefeasible right of use (IRU) of the MASMOVIL BROADBAND infrastructure of up to 40% of its capacity (measured as the number of clients over the total BU

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at the location level) and a period of 35 years, financing Masmovil for 69 million euro. Under this agreement, the maintenance cost is shared for the network based on the proportion of clients, and is a minimum of the 40% assumed by Jazztel.

- The net amount of the transaction implies a pay-out of 20 million euro (plus the net of the corresponding taxes) by MASMOVIL BROADBAND; an amount that implies approximately 27 euro/BU. This amount was paid by MASMOVIL BROADBAND in the first quarter of 2016.
- The assets are valued at 98 million euro in accordance with the accountability of the vendor (replacement cost). This amount is equal to, approximately, 132 euro/BU.
- The agreement includes that additional connections (BU) may be made on the FTTH network of Masmovil, and it is Jazztel in charge of carrying out the deployment and selling the property of the network extended to MASMOVIL BROADBAND, and is also required to pay for maintaining the IRU conditions (35 years and 40% capacity). In this case, the net operation assumes the payment by MASMOVIL BROADBAND for 27 euro/BU. Thus, at the end of 2016 the total amount of Real estate units owned by MASMOVIL BROADBAND within the FTTH Remedies framework is 824,000 BU.

xDSL Remedies

- Under the IRU agreement with Jazztel, MASMOVIL BROADBAND accesses the Jazztel copper network indirectly (bitstream) to offer xDSL technology (ADSL mainly). The network extends to approximately 80% of the country, which is roughly 18.6 million BU (1,123 locations). Jazztel is committed to expand the network when necessary and offer a single point of national connection.
- The IRU amount of 29 million is owed by MASMOVIL BROADBAND to Jazztel, who grants MASMOVIL BROADBAND with unlimited access to the ADSL of the national Jazztel network for up to eight years (four years expandable for another four years; the possibility of extension is solely dependent upon MASMOVIL BROADBAND). The payment of said amount is set at 30% for the first four years and 70% for the rest, and is financed at no interest by the vendor.
- The economic conditions assume at all times of the MASMOVIL BROADBAND offer may be competitive, both with respect to Jazztel as well as the operator with a fixed network and national coverage (Telefónica), obliging with the OBA regulation (Access Offer to the Subscriber Loop) that regulates indirect access to the Telefónica networks. The flow of proceeds, 100% variable as a function of the effectively connected clients, as determined by the registration and de-registration fees, such as monthly payment to Jazztel by bank transfer. These costs shall be equal to the valuable costs supported by Orange and Vodafone by providing ADSL services to their end clients. As per the forthcoming, except that MASMOVIL BROADBAND will enjoy a 100% variable cost structure.

Once the milestone related to the existence of agreements for the transaction under the required terms was completed, on 19 October 2015 the European Committee authorizes the acquisition of the aforesaid assets by Masmovil.

New FTTH Network Baseline Development

MASMOVIL BROADBAND individual network with Orange's IRU

- MASMOVIL BROADBAND will build up to 700,000 BU in low competition areas (5,000-50,000 residents), under an estimated planning of 400,000 units in 2017 (additionally to the approximately 100,000 BU developed in 2016), and another 100,000 BU in 2018 and 2019 respectively. The expected investment reaches 51 million euro in the 2017-19 period (85 euro/BU in 2017-2019).
- For this infrastructure, an IRU is agreed with Orange for 35 years for 40% of the network capacity. The agreement sets a payment by Orange of 125 euro/BU for the IRU that results in a total of 87.5 million euro, in addition to maintaining the network based on the proportion of clients.
- The possible public aids that the project obtains (particularly, FEDER advance payments under the New Generation Broadband Extension Program of the Ministry of Energy, Tourism and Digital Agenda or “PEBA Plan”) is estimated in an aggregate amount of 9.1 million euro (which were received at the beginning of 2017).

MASMOVIL BROADBAND IRU for Orange's individual network

- MASMOVIL BROADBAND may connect to Orange's FTTH network, both to the existing network and to the network to be developed under the current deployment plan, in up to 500,000 BU, pursuant to a 35-year IRU agreement. Orange's deployment is centred on areas of high competition (large populations).
- MASMOVIL BROADBAND may designate the areas where it is interested for such deployment.
- Under the agreement, MASMOVIL BROADBAND will pay up to 54 million euro. The scheme of payments provides for a payment of 37.5 million euro in 2017 (300,000 BU), of 8.25 million euro in 2018 and 2019 respectively (100,000 BU each year, 82.5 BU/Euro). A payment for maintaining the network on a pro rata basis with the number of clients is also agreed on.

2016. On the issuance date of the first project bonds, commercially named “MASMOVIL BROADBAND Project Bonds July 2016”, the situation of MASMOVIL BROADBAND as regards the project was as follows:

- It has formalised the payment of the assets, being already the owner of the remedies.
- KPMG has carried out an audit of its 2015 annual accounts and has delivered an audit report without qualifications.
- It has launched the deployment project for the new individual network, and has executed some of the necessary agreements with the suppliers.

After the issuance date of the aforesaid first project bonds, certain binding MoU agreements and addenda to the framework agreements were executed with Orange, particularly the following agreements:

26 July 2016

- A binding MoU agreement for the provision of access to fibre service in some of the areas where Orange is covered by FTTH, under which MASMOVIL BROADBAND will have the possibility of hiring a fibre service in the "regulated areas" as defined in the Resolution of the CNMC dated 24 February 2016 regarding the revision of the wholesale broadband markets access/broadband (3a, 3b and 4).
- A binding MoU agreement to extend the scope of the infrastructures co-sharing of FTTH network agreement signed on 6 June 2016, whereby Orange undertakes to make available to MASMOVIL BROADBAND up to 1,500,000 Real estate units (BU) in accordance with a calendar between 2017 and 2019, as well as up to 250,000 Real estate units (BU) before 31 December 2019 in the "unregulated zone" (i.e. 66 major Spanish cities).
- A binding MoU agreement to amend the framework agreement for indirect provision of services on the copper network signed on 31 July 2015, in view of the new FTTH shared deployment and wholesale fibre supply agreement, allowing that MASMOVIL BROADBAND may provide for access to fibre service in areas where it initially planned to provide for ADSL services.

7 October 2016

- An addendum to the framework agreement for indirect provision of services on the copper network signed on 31 July 2015, under which the applicable discounts on the monthly prices agreed are modified again according to the average number of lines hired each month in light of the amendments to the access of fibre service agreements in regulated areas and in unregulated areas, which were signed on this same date of 7 October 2016, and expressly agreeing that the acquisition of Xfera Móviles, SA (Yoigo) by MasMovil group would not imply any form of change of control that would allow Orange to request an advance payment of the agreed fixed amount.
- An addendum to the infrastructures co-sharing of FTTH network agreement, formalizing the commitments previously assumed in the binding MoU agreement signed on 26 July 2016, in order to extend the scope of the co-sharing of FTTH network infrastructures agreement.
- An addendum to the infrastructures co-sharing of FTTH network agreement, access service to regulated areas (as defined in the CNMC Resolution dated 24 February 2016), formalizing the commitments previously assumed in the binding MoU agreement signed on 26 July 2016, for the provision of access to fibre service in some of the areas where Orange has FTTH coverage and MASMOVIL BROADBAND requests the service, with the same access service conditions and the same economic conditions than those regulated in the aforesaid binding MoU agreement for the unregulated areas.
- An addendum to the infrastructures co-sharing of FTTH network agreement, access service to unregulated areas (as defined in the CNMC Resolution dated 24 February 2016), formalizing the commitments previously assumed in the binding MoU agreement signed on 26 July 2016, for the provision of access to fibre service in some of the areas where Orange has FTTH coverage and MASMOVIL BROADBAND requests the service, with the same access service conditions and the same economic conditions than those regulated in the aforesaid binding MoU agreement for the unregulated areas.

16 December 2016

- A binding MoU agreement for the provision of FTTH traffic transport service from OLTs to 2 national interconnection nodes, signed in consideration to the Addenda signed on 7 October 2016, for the co-sharing agreement under which it was extended the co-sharing commitment and was enable the hiring of access to fibre service on the Orange FTTH network by MASMOVIL BROADBAND, which provides for the general conditions under which Orange will provide FTTH traffic transport services from the terminals of the Optical Line Terminal ("OLT") of the mutual network and access to fibre service provided in the co-sharing agreements and their addenda, to two national interconnection nodes.

This binding MoU agreement provides the parties 'obligation to negotiate in good faith and to sign a new addendum for the co-sharing agreement, developing and defining in greater detail the contents and performance of the obligations that each of the parties undertakes thereunder, and such agreement has been executed on 31 January 2017.

- During financial year 2016, MASMOVIL BROADBAND has expanded its own network through its own deployment both in relation to the remedies as well as without any relation to them, having reached at the end of the year approximately 924,000 BU.

2017. On the date of this document signing, the situation of MASMOVIL BROADBAND regarding the project is the following:

- During January 2017, MASMOVIL BROADBAND has received FEDER advance payments in an aggregate amount of 9,101,167.91 euro under the New Generation Broadband Extension Program or "PEBA Plan" from the Ministry of Energy, Tourism and Digital Agenda, as well as public aids aimed to accelerate the coverage extension of public electronic communications networks capable of providing high-speed (above 30 Mbps) and very high-speed (above 100 Mbps) broadband services to areas without current coverage nor envisaged to have.
- Conclusion of the negotiations for the execution of a new addendum to the co-sharing agreement, developing and defining in greater detail the contents and performance of the obligations set out in the binding MoU agreement signed on 16 December 2016, for the provision of a FTTH traffic transport service from OLTs to 2 national interconnection nodes.
- Signing of a new equipment supply and maintenance agreement, in terms essentially equivalent to those agreed with ZTE España, S.L.U. on 11 July 2016 (but not including any financial indebtedness or the granting of any kind of *in rem* security interests), with Huawei Technologies España, S.L.U. ("**Huawei**") as the main provider of network infrastructures. The aforesaid equipment supply and maintenance agreement was signed with Huawei on 10 February 2017.
- At the beginning of February 2017, Masmovil has launched the convergent offer under the Yoigo brand, although this launch, because of commercial strategy, has not been completed and has been limited to a small number of rates, it is foreseeable that the complete commercial launch can be made before the end of March 2017.

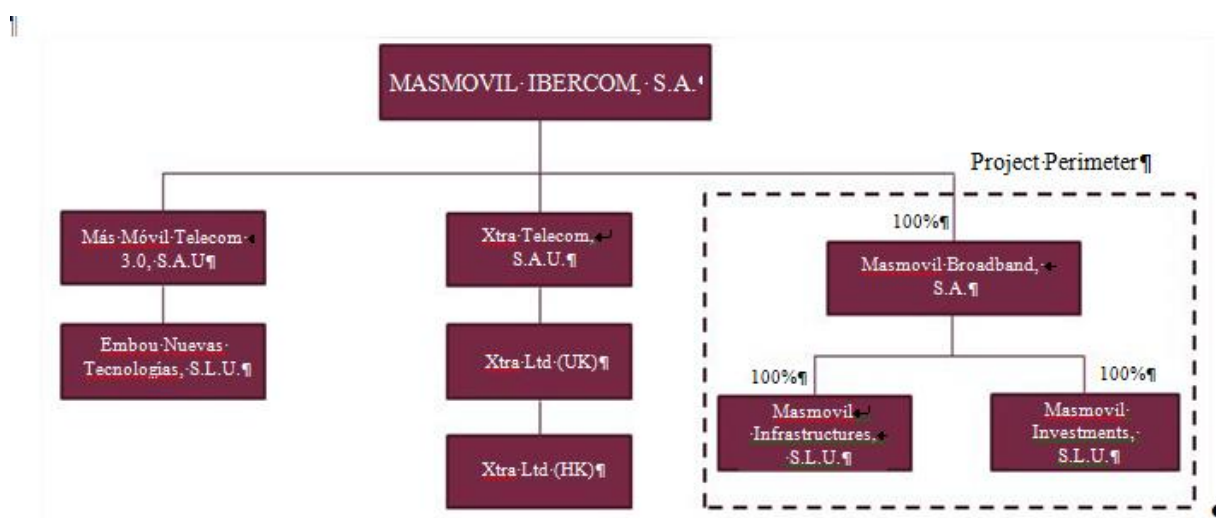
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3. Corporate Structure

MASMOVIL BROADBAND, S.L. was incorporated on 25 May 2015 and transformed into a public limited liability company (*sociedad anónima unipersonal* or S.A.U.) by virtue of a public deed granted before the notary of Madrid Mr. Andrés de la Fuente O'Connor on 23 November 2015. MASMOVIL BROADBAND is registered in the Companies Registry of Madrid in Volume 33.681, Page 76, Section 8^a, Sheet M-606314, entry 6th.

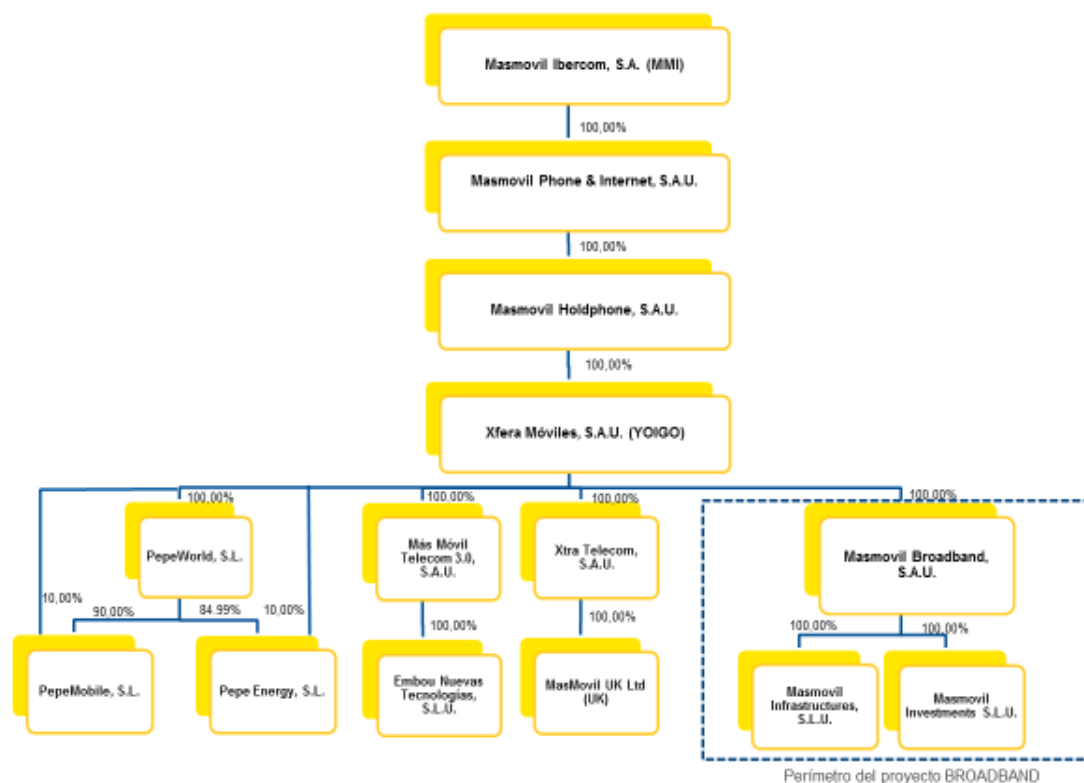
The Company is incorporated within the MasMovil Group as the main subsidiary for the fixed broadband business and within the transfer framework of all infrastructures and assets of the Masmovil network, including the remedies, those leases that give rights to use the Jazztel networks, and the individual assets owned to date by EMBOU. Along with the Company's affiliates, i.e. Masmovil Infraestructuras, S.L.U. (*remedies* xDSL) and Masmovil Investments, S.L.U. (fibre business in co-sharing regime with Orange), these companies complete the corporate structure of the project and constitute its corporate perimeter.

On the issuance date of the first project bonds, commercially named "MASMOVIL BROADBAND Project Bonds July 2016", the corporate organization chart of the MasMovil Group was as follows:



On the date of issuance of the Bonds under this Offering Circular, the corporate organization chart of the MasMovil Group is as follows:

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The MasMovil Group is an integral telecommunications operator that provides for telecommunications services (landline, mobile, broadband, data centre and added value services) in the three business areas: residential, corporations and operators.

The current business group is the outcome of the integration, during 2014, 2015 and 2016, of different telecommunications operators with steady growth in their respective markets and business areas. Following the listing of Masmovil Ibercom, S.A. on the Spanish Alternative Stock Market (*Mercado Alternativo Bursatil* or “*MAB*”) since 2012, the group is listed on the national market, and it is Masmovil's intention to become listed on the electronic “Continuous Market” (*Mercado Continuo*) of the Spanish Stock Exchange.

Following the integration of Xfera Móviles, S.A. (commercially “Yoigo”) and of PepeMobile, S.L. (commercially “Pepephone”) during 2016, the MasMovil Group has been positioned as the fourth operator with a capacity of integral and convergent offer similar to that offered by the dominant operators. Thus, the Masmovil's scope of action covers the entire country, with a portfolio of more than 4.6 million of clients in the residential area and corporations. The Company currently is advancing in the consolidation as a group and the improvement in its operational profitability.

In this regard, it is important to highlight that, from the date of issuance of the first project bonds, commercially named “MASMOVIL BROADBAND Project Bonds July 2016”, the MasMovil Group has successfully completed the corporate transactions that consisted in the acquisition of:

- (i) 100% of the issued share capital of the companies named Pepe World, S.L. and Pepe Mobile, S.L. (jointly, “**Pepephone**”), one of the largest mobile virtual network operators (MVNO) in Spain that operate under the Pepephone brand, together with the acquisition of the 94.99% of the issued share capital of the company named Pepe Energy, S.L., a trading company of electric energy.

This acquisition had its financial closing and its effective date on 13 September 2016, by means of the notarization of the sales and purchases agreement previously signed on 19 July 2016, once all the conditions precedents agreed on therein were fulfilled.

Once the control over Pepephone was acquired, the migration process of its clients from the current ULL infrastructure (Vodafone) to the ULL infrastructure over which MASMOVIL BROADBAND has acquired the IRU, has already begun

- (ii) 100% of the issued share capital of the company named Xfera Móviles, S.A., which operates under the “Yoigo” brand, as well as the contractual position of creditor under certain profit participating loans that Yoigo received from its previous shareholders until the acquisition date.

This acquisition had its financial closing and its effective date on 5 October 2016, by means of the notarization of certain sales and purchases agreements previously signed on 20 June 2016, with its shareholders until that date (i.e. Telia Company AB (Publ) as majority shareholder, and ACS Telefonía Móvil, S.L., Fomento de Construcciones y Contratas, S.A. and Siema Investment, S.L. as minority shareholders), once all the conditions precedents agreed on therein were fulfilled.

The acquisitions of both Yoigo and Pepephone have allowed MasMovil Group to reach an aggregate figure of more than 4.6 million of mobile voice clients (after adding on Pepephone clients).

- (iii) The assets that jointly constitute the business unit related to the activity of the virtual mobile operator of More Minutes that operates under the brand of Llamaya (“**Llamaya**”), as this acquisition by Más Móvil Telecom 3.0, S.A.U. had its financial closing and its effective date on 31 January 2017, once the conditions precedent agreed on under the sale and purchase agreement of business unit signed on 29 December 2016 were fulfilled, as described in the relevant fact (*hecho relevante*) published in the MARF and in the Alternative Stock Exchange Market (MAB) on such date of 31 January 2017.

The new group starts with aggregate incomes amounting up to nearly 1.1 billion euro in 2015, and an EBITDA higher than 100 million euro, with a clear potential for growth of both incomes and profitability and the ability to create cash flow, supported in the short term by contractual savings cost of fast generation and a low implementation risk.

This amount of savings, which amount to at least 60 million euro, would be entirely reached once the new MasMovil Group (i.e. Masmovil, Yoigo and Pepephone) has been formed, and after a joint operation period that it is estimated that will not exceed two years, and these savings are principally focused on optimizing direct costs for the mobile business, which shall be achieved through the following measures:

- The use of telecommunications infrastructures and the indefeasible rights of use (IRU) as part of the remedies of the Orange/Jazztel transaction, as well as the use of new infrastructures under the co-sharing and wholesale access to FTTH network agreements with Orange.

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- Improvement in the ability to negotiate the purchase of services used on third party telecommunications networks that would generate the added purchase volume of the three entities that would form part of the new MasMovil Group.

Other expected cost savings with a lower impact on the accounts of the Group would be those deriving from making a better use of the joint policy of brands and marketing, in addition to those deriving from the optimization of sales and purchase channels with third parties. In addition, forming the new group would allow the MasMovil Group to obtain a significant amount of synergies from the possibility of cross-sales of different services that the new group can offer, especially those related to the convergence of landline, internet and mobile businesses, to its own client base that has materially increased.

The MasMovil Group, which parent company is Masmovil Ibercom, S.A., has a widely-diversified shareholder structure, with a free float of 30% (shareholding lower than 3% and without presence on the board of directors, and not being part of any vote syndication agreement).

Among the shareholders of the MasMovil Group, following the share capital increase in Masmovil Ibercom, S.A. executed on 26 July 2016, the institutional investor Providence Equity Partners (through PLT VII Holdco S.à r.l.) stands out, which subscribed a 18% of the share capital in Masmovil Ibercom, S.A. The shareholding held by the members of the board of directors (excluding Providence) amounts to 14%, while the shareholders with more than 3% of the share capital of Masmovil Ibercom, S.A. (or being part of a vote syndication agreement) represent a 38% thereof.

The financing of the acquisitions of Pepephone and Yoigo (including the refinancing of the profit participating loans in the latter) by MasMovil Group was implemented by means of different sources of own and external resources, in an aggregate amount of more than 800 million euro, of which 60% corresponds to debt financing and the remaining 40% to equity and equity-like financing, keeping the group in a balanced financial structure. These financing sources include the following:

- share capital increase in MasMovil Ibercom, S.A., completely subscribed and paid up, in an aggregate amount of 160,000,000 euro;
- issuance of bonds convertible and/or exchangeable for MasMovil Ibercom, S.A. shares, in a maximum amount of 165,000,000 euro, completely subscribed by PLT VII Holdco S.à r.l.;
- the execution of certain acknowledgement of debt agreements convertible into MasMovil Ibercom, S.A. shares with ACS Telefonía Móvil, S.L. as a minority shareholder, in an amount of 120 million euro (once the convertible debt signed with Siema Investment, SL and Fomento de Construcciones y Contratas, S.A. were repurchased), plus 80 million euro as contingent amount that will depend on the future development of the group's consolidated EBITDA;
- the execution of a senior facilities agreement with a pool of financial institutions, with Banco Santander, S.A. acting as agent, in a maximum principal amount of 386,058,824 euro; and
- the execution of a junior facilities agreement with Société Générale, Spanish Branch, as initial lender and agent, in a maximum principal amount of 95,500,000 euro.

For the purposes of this Issuance as well as of the issuance of the first project bonds named "MASMOVIL BROADBAND Project Bonds July 2016", it is important to note that neither MASMOVIL BROADBAND nor any of the Affiliates assume any financial liability under any of the finance agreements previously referred to, to which they are not contractual party neither as

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borrowers nor as guarantors, and neither MASMOVIL BROADBAND nor its Affiliates have created any security interest on their assets, in strict compliance with the structure of security interests, guarantees and covenants of the financing provided for under this Offering Circular as well as of the financing already granted under the MASMOVIL BROADBAND Project Bonds July 2016, so that the perimeter of the project referred hereto differs from the "banks' perimeter" configured by MasMovil Ibercom, S.A. and its affiliates (excluding MASMOVIL BROADBAND and the Affiliates).

Finally, it should be noted that the closing of the corporate transactions and the financing acquisitions of Pepephone and Yoigo has involved a major corporate restructuring with respect to the existing organizational chart on the date of issuance of the MASMOVIL BROADBAND Project Bonds July 2016, as reproduced above, consisting of:

- (i) A capital increase through non-monetary contributions executed by virtue of a public deed granted on 13 December 2016 and registered with the Companies Registry on 28 December 2016, under which the company MasMovil Phone & Internet, S.A.U. (company incorporated in 2016 by MasMovil Ibercom, S.A. as a vehicle for the acquisition of Yoigo) increased its share capital through non-monetary contributions by MasMovil Ibercom, S.A. of 100% of the shares that represent the share capital of MasMovil Holdphone, S.A.U. (company incorporated in 2016 by MasMovil Ibercom, SA as vehicle for the acquisition of Yoigo);
- (ii) A capital reduction with simultaneous capital increase of Xfera Móviles, S.A. (Yoigo), fully subscribed by MasMovil Holdphone, S.A.U., by virtue of a public deed granted on 13 December 2016 and registered with the Companies Registry on 27 December 2016, through non-monetary contributions to Xfera Móviles, S.A. (Yoigo) consisting in all the shares that MasMovil Holdphone, S.A.U. held till that date in PepeWorld, S.L., Pepe Energy, S.L., PepeMobile, S.L., More Mobile Telecom, 3.0, S.A.U, Xtra Telecom, S.A.U. and MASMOVIL BROADBAND.

As a result of this corporate restructuring, the new sole shareholder of MASMOVIL BROADBAND is Xfera Móviles, S.A. (Yoigo), and MasMovil Ibercom, S.A. continues to be the indirect or ultimate shareholder of all the shares of MASMOVIL BROADBAND and of the affiliates' shareholdings, without any "Change of Control" as defined in this Offering Circular, as well as in the offering circular of the MASMOVIL BROADBAND S.A.U. Bond July 2016.

4. Issuance Information

This issuance summary contains basic information and is not intended to be complete. It may be subject to limitations and exceptions that are detailed later in this Offering Circular. All of the information related to the Issuance is in Section VIII of this Offering Circular.

Issuer

MASMOVIL BROADBAND, S.A.U.

Issuance Amount

The total nominal value of the Issuance amounts to thirty-eight million (38,000,000) euro, made up of three hundred and eighty (380) Bonds of one hundred thousand (100,000) euro of nominal value, each one grouped into a single class or series. The nominal unit amount of the Bonds shall be reduced in the part corresponding on each one of the three repayment dates in accordance with the provisions set out in Section VIII.1.3.

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Issuance Date	10 March 2017
Disbursement Date	16 March 2017
Final Maturity Date	27 July 2024
Economic rights for the Bondholder	The type of interest is payable annual nominal 5.75 % annually over the nominal value of the Bonds at any time. They will be yielded on the Current/Current ICMA unadjusted standard base and payable on a yearly basis every 27 July.
Priority Order	The Bonds constitute direct, senior and unconditional liabilities of the Issuer. The payment priority order is described in Section VIII.4.4. of this Offering Circular.
Credit rating of the Issuer	<p>On 1 March 2016, the credit-rating agency named AXESOR assigned the Issuer a credit rating of BB with a positive trend. On 10 February 2017, the credit rating was revised to BB +, with a stable trend.</p> <p>In Axesor's opinion, Masmovil currently presents a significant advance in its position as a fourth operator, which together with the progress in Masmovil Broadband operations encourages the fulfilment of the financial objectives. Additionally, the project is developed in economic terms aligned with the financial capacity and commercial positioning of the MasMovil Group, factor that improves its potential in a highly competitive environment.</p>
Security Interests and Guarantees of the Issuance	The Issuance have the following security interests and guarantees: (i) Pledge over the shares in the Issuer; (ii) Pledge over the shares in the Affiliates; (iii) Pledge over Material Contracts; (iv) Pledges over Bank Accounts; and (v) Promissory Chattel Mortgage over the Infrastructure Network. The Project Hermes I Security Interests were granted and perfected on 21 July 2016. The Bonds issued under this Offering Circular of Incorporation have the same security interests and guarantees than those granted in order to secure the payment of the MASMOVIL BROADBAND Project Bonds July 2016. The validity of the security interests and guarantees has been ratified on 10 March 2017.
Ordinary Repayment	According to the calendar of interest payment and repayments (see the following Section II.5.).
Partial Early redemption	Consult all events of early redemption in Section VIII.7. of this Offering Circular.

Early expiration	In addition to the non-payment of any amounts owed by virtue of the Bonds, there are certain events where, unless rectified in previous deadlines for that purpose, will determine the early redemption of the Bonds. Among these events of early redemption, there is the non-compliance by the Issuer of the information obligations, the obligations of action and non-action. The events of early redemption may be consulted in Section VIII.7. of this Offering Circular.
Obligations of the Issuer	<p>The Issuer has limitations and obligations, among others, related to:</p> <ul style="list-style-type: none">▪ Additional indebtedness.▪ Distribution of dividends to shareholders.▪ Certain information covenants and calculation of ratios. <p>The details of the Issuer's Obligations can be consulted in Section VIII.6.</p>
Restrictions on free transfer	The Bonds are exclusively directed to qualified investors and professional clients. The Bonds may be freely transferred by any means permitted by law and in accordance with the rules issued by MARF, where these securities will be admitted to trading. See Restrictions on the free transfer of securities in Section VIII.12.2.
Payment Agent	Banco de Sabadell, S.A.
Commissionaire	Bondholders, S.L.
Applicable legislation	The securities have been issued in accordance with Spanish legislation. See "Applicable legislation" in Section VIII.13.
Risk factors	The investment in the Bonds carries risks. Investors must consult the "Risk factors" that are described in Section III of this Offering Circular to have a detailed description of the risks associated with this operation that should be considered before making an investment.
Use of proceeds obtained with the Issuance	The purpose of the proceeds obtained under this Issuance of Bonds will be the funding of the Issuer's activity, in particular, the financing and implementation of the Project Hermes I exclusively.
Fungibility	This issuance of Bonds is fungible with the issuance of the MASMOVIL BROADBAND Project Bonds July 2016 with

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ISIN code ES0205138003.

5. Calendar of interest payments and repayments

You can consult the flowchart of the Issuance in Section VIII.8.1.3 of this Offering Circular.

6. Financial Information about the Issuer

This Section includes a summary of the information contained in the Audited Individual Annual Accounts and in Audited Consolidated Annual Accounts of MASMOVIL BROADBAND, S.A.U. for the 2015 financial year (from the date of incorporation on 25 May until 31 December 2015).

The individual annual accounts and the consolidated annual accounts corresponding to the 2015 financial year have been audited by KPMG, S.L.

At the date of release of this Offering Circular, there are no audited annual accounts for the 2016 business year as the legal deadlines applicable for their presentation have not expired yet.

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MASMOVIL BROADBAND, S.A.U.
Individual balance sheet of the 2015 financial year (in euro)

	2015
ASSET	
Intangible Assets	20,151,595
Rights of Use	20,151,595
Material Assets	88,671,639
Fibre Optic Network	88,572,389
Assets Under Construction and Down Payments	99,250
Investments in Group and Long-term Companies	1,006,000
Equity Instruments	1,006,000
Deferred Tax Assets	164,794
Total Non-current Assets	109,994,028
Trade Debtors and Other Accounts Receivable	87,740,229
Clients by Sales and Providing Services	83,490,000
Other Credits with Public Administrations	4,250,229
Cash and Other Similar Liquid Assets	19,019,538
Treasury	19,019,538
Total Current Assets	106,759,767
Total Assets	216,753,795
NET WORTH AND LIABILITIES	
Equity	19,499,832
Capital	5,000,000
Share Premium	15,000,000
Reserves	(5,783)
Profit or Loss for the Year	(494,385)
Total Net Worth	19,499,832
Long-term Debts	20,310,208
Other Financial Liabilities	20,310,208
Distributable Income in Several Financial Years	68,584,110
Total Non-current Liabilities	88,894,318
Short-term Debts	107,992,500
Other Financial Liabilities	107,992,500
Debts with Companies from the Group and Short-term Debts	70,000
Commercial Creditors and Other Accounts Payable	297,145
Short-term Suppliers	296,275
Other Debts with Public Administrations	870
Total Current Liabilities	108,359,645
Total Net Worth and Liabilities	216,753,795

MASMOVIL BROADBAND, S.A.U.

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Individual profits and losses account from the 2015 financial year (in euro)	
	2015
CONTINUED OPERATIONS	
Net Worth of the Bottom Line	415,890
Providing Services	415,890
Other Operational Expenses	(54)
Exterior Services	(54)
Depreciation of Assets	(677,071)
OPERATIONAL RESULT	(261,235)
Financial Expenses	(397,944)
Debts with Third Parties	(397,944)
FINANCIAL RESULT	(397,944)
PRE-TAX INCOME	(659,179)
Tax on Profits	164,794
PROFIT OR LOSS OF THE FINANCIAL YEAR	(494,385)

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MASMOVIL BROADBAND, S.A.U. AND SUBSIDIARY COMPANIES
Consolidated Balance of the 2015 Fiscal Year (thousands of euro)

euro

	<u>2015</u>
ASSET	
Intangible Asset	20,151,595
Rights of Use	20,151,595
Material Assets	88,671,639
Fibre Optic Network	88,572,389
Assets Under Construction and Down Payments	99,250
Investments in Group and Long-term Companies	1,006,000
Equity Instruments	1,006,000
Deferred Tax Assets	164,794
Total Non-current Assets	<u>109,994,028</u>
Trade Debtors and Other Accounts Receivable	87,740,229
Clients by Sales and Providing Services	83,490,000
Other Credits with Public Administrations	4,250,229
Cash and Other Similar Liquid Assets	19,019,538
Treasury	19,019,538
Total Current Assets	<u>106,759,767</u>
Total Assets	<u><u>216,753,795</u></u>
	<u>2015</u>
NET WORTH AND LIABILITIES	
Equity	19,499,832
Capital	5,000,000
Share Premium	15,000,000
Reserves	(5,783)
Profit or Loss of the Fiscal Year	(494,385)
Total Net Worth	<u>19,499,832</u>
Long-term Debts	20,310,208
Other Financial Liabilities	20,310,208
Distributable Income in Several Financial Years	68,584,110
Total Non-current Liabilities	<u>88,894,318</u>
Short-term Debts	107,992,500
Other Financial Liabilities	107,992,500
Debts with Companies from the Group and Short-term Debts	70,000
Commercial Creditors and Other Accounts Payable	297,145
Short-term Suppliers	296,275
Other Debts with Public Administrations	870
Total Current Liabilities	<u>108,359,645</u>
Total Net Worth and Liabilities	<u><u>216,753,795</u></u>

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MASMOVIL BROADBAND, S.A.U.

Consolidated Account of Profits and Losses from the 2015 Fiscal Year (thousands of euro)

	<u>2015</u>
CONTINUED OPERATIONS	
Net Worth of the Bottom Line	415,890
Providing Services	415,890
Other Operational Expenses	(54)
Exterior Services	(54)
Depreciation of Assets	(677,071)
OPERATIONAL RESULT	(261,235)
Financial Expenses	(397,944)
Debts with Third Parties	(397,944)
FINANCIAL RESULT	(397,944)
PRE-TAX INCOME	(659,179)
Tax on Profits	164,794
PROFIT OR LOSS OF THE FINANCIAL YEAR	(494,385)

III. RISK FACTORS

Before making the decision to invest in the Bonds, all of the information contained in this Offering Circular should be taken into account, and the risks that are included below, related to MASMOVIL BROADBAND and its sector of activity, in addition to those related to the Bonds. Any of these risks may have a substantial negative impact in the business, results or the financial, economic or ownership situation of the Issuer or Bonds. In addition, future risks currently unknown or not considered relevant by the Issuer at present, could adversely affect the business, results or the financial, economic or ownership situation of the Issuer or Bonds, which in this last case, could cause a partial or total loss of the investment made.

Therefore, the possible investors must carefully consider the risks described below in relation to the information shown in this Offering Circular.

1. Risks derived from the current economic environment

The telecommunications market is a sector notably exposed to the impacts of disposable income that have created unfavourable macroeconomic conditions that the Spanish economy has had to face in recent years, which has led to an accelerated deflation process in the sector. This has impacted the margins and the bottom line for the majority of the operators present on the Spanish market.

2. Specific risk factors of the Issuer and its activity in the sector

2.1 Regulatory risk.

MASMOVIL BROADBAND S.A.U. operates in the Spanish market, and therefore, its activities are subject to different laws and regulations, including local, regional, state and community authorities. Changes in said regulation, and whose change may impact the capacity to act, flexibility, profitability and solvency.

Any change in the current regulatory framework could change the current market conditions and therefore suppose a potential risk factor, both for MASMOVIL BROADBAND S.A.U. and for the rest of the actors participating in the national telecommunications market.

2.2 High degree of concentration

The telecommunications market, and therefore the fixed broadband and fixed data market, has a competitive field of high maturity and high entrance barriers that result in the high competitiveness that exists. Thus, it is characterised as a market with few competitors and where the presence is notable of a small group of operators with distinguished market power (Movistar, Vodafone and Orange). This competition may result in lower prices in the future and the loss of customers, which could result in lower income and could negatively affect the materials of our business, perspectives, financial condition and operational result, and substantially lower our market listing.

If the current regulations on telecommunications attempts to foster competition to the greatest degree possible, high investment requirements for establishing a profitable individual network (large size) and the development already achieved by the dominant operators, make this situation difficult.

In recent years, the concentration process has intensified in (Vodafone-ONO, Orange-Jazztel), to the

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most effective degree to obtain growth of the customer base that permits improving profitability, as well as strengthening the broadband business for acquiring companies.

Currently, the fixed broadband sector is being considered, especially the latest generation, as a key driver in the telecommunications sector, once the voice sector had reached significant maturity. This fact is also supported in the continuity of a growing trend in the perception of the internet as the best means for communication activities, entertainment, and information on behalf of the consumers, and the continuity in the penetration of IT devices in homes.

In addition, the current protagonist role of fixed broadband as an integrator element of the offer of telecommunications services, for how much the offer of a convergent service or “multi-play” that connects several services with regard to contracting fixed broadband (fixed and mobile broadband, fixed and mobile voice, and TV) marks the current market trend. This aspect, which allows operators a greater capacity to make competitive offers, in addition to a greater capacity to retain clients, determines the importance of having a competitive fixed data service.

Pursuant to the forthcoming, the statistics reported by CNMC show that the trend driven by the offers of operators in favour of changing users to the bundled packages is significant. In addition, from 2012-2014, nearly 7 million customers have switched to bundled packages.

2.3 Risk of litigation and claims

MASMOVIL BROADBAND may incur litigation and claims as a result of carrying out its activity, whose result may be uncertain. Currently, the Company has no record of any litigation or claim in progress, nor therefore, any provision established for said purpose.

2.4 Requirement of state of the art technology

The competency existing in the market requires its participants to continuously invest in developing new applications and technological developments that allow offering updated solutions on the market. This continued investment in research and development of new applications, on one hand requires the re-investment of economic resources derived from the ordinary business activity, in addition to dedicating human resources linked to risky activity as well as by definition, the activity of R+D+i.

2.5 Risk derived from the Greenfield component of the Project Hermes I

The implementation and development of the project implies Masmovil adopting a new business through integrating infrastructures acquired such as those that require construction, all of this is directly related to the members who co-invest in and exploit the infrastructures. If Masmovil already has certain acquired experience in the business, and at the date of signature of this document, the convergent offer has already been successfully launched, the magnitude and scope of the project, in addition to the direct incidence with the current business of the group, determine a greater risk at the current time of the project, which still faces aspects that require certain formalisation over the basis for estimation.

2.6 Risk derived from commercial capacity

The project's mechanism for income is highly connected to the commercial capacity that is achieved. The commercial activity is exclusively carried out by Masmovil. MASMOVIL BROADBAND is configured exclusively as a subsidiary of infrastructures. The lack of certainty in the incomes is mitigated among other aspects by the project's capacity to generate income from the start, the project's

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adequate economic justification, the assumption of a conservative scene in the business estimates, and finally the variability of a large portion of the costs of exploitation that depend on the customer.

2.7 Risk of deflated prices on the market

Possibility that large telecommunications operators, due to a fall in the listing that have been suffered in recent years, develop an expansive policy based on a price war that generally affects the market operators.

2.8 Risk derived from the undesired exit of key staff

The MasMovil Group has management staff that accumulate experience, knowledge and talent acquired throughout the years, both at Masmovil as well as in different companies within the sector. These people are key for this, and especially for the future of the MasMovil Group.

2.9 Risk of concentration of suppliers

MASMOVIL BROADBAND S.A.U. is a supplier of the services it offers its customers, and some of the products are provided by a limited number of highly-specialised suppliers.

However, in case of concentration operations of the main suppliers, the termination of activity or obsolescence of the technology, MASMOVIL BROADBAND S.A.U. may significantly increase the supply costs, if it is not capable of transferring them to clients to maintain the margin, or to be required to form relationships with other suppliers. This could reduce the margins of exploitation, and therefore, negatively affect the activity, the financial system and the Company's balance sheet.

2.10. Risk resulting from natural disasters or other uncontrollable events

Events outside the control of MASMOVIL BROADBAND, including weather conditions and natural disasters, unexpected geological or physical conditions, among other things, that may affect the deadlines, costs and capacity to complete the projects, negatively impacting the business, financial condition and the company's results.

3. Financial risks of the Issuer

3.1 Credit risk

MASMOVIL BROADBAND'S credit risk fundamentally depends on the payment capacity of the counterparts with which it maintains or could maintain exposure for its business. The counterparts with which MASMOVIL BROADBAND maintains exposure with its customers, the insurance company and the depository credit institutions of the Company's accounts.

The MasMovil Group has defined a credit risk management policy to minimize the possible impacts of non-payment by the clients and to achieve greater effectiveness in measuring and controlling risk. As a consequence of this policy, the balances corresponding to these items in Masmovil Ibercom S.A. and Subsidiary Companies Consolidated Annual Accounts present high billability and a proven history of recoverability. Regardless of the forthcoming, the insolvency of its clients or the non-compliance of the terms agreed may negatively influence MASMOVIL BROADBAND's financial situation.

3.2 Liquidity risk

It is called liquidity risk due to the probability that the Issuer is not capable of fulfilling its short-term financial commitments.

The Issuer does not have significant short-term financial commitments beyond those that result from this Issuance.

In this sense, when evaluating the Issuer's liquidity risk, it must be taken to account that it does not have significant short-term financing, the repayment of the Bonds (like senior financing) has accompanied the income-generating capacity reasonably foreseen long-term and that the project has a reserve for the debt service.

3.3 Interest Type Risk

It is called interest type risk due to the probability of variations in the types of market interest that cause the Issuer to not comply with its financial commitments.

The variations of the interest types modify the reasonable value of those assets and liabilities that accrue a type of fixed interest, in addition to the future flows of the aforesaid assets and liabilities at a variable interest rate.

The objective of the interest type risk management policy is to reach a balance in the structure of the debt that allows minimising these risks and the cost of the debt.

The variation of the baseline interest types could have an impact on the results of the Issue derived from an increase of the financial costs related to the variable interest debt.

3.4 Risk resulting from the MASMOVIL BROADBAND'S current leverage

At the first moment when the company has elevated financial leverage, in accordance with the corresponding project structure.

4. Specific risk factors of the securities

4.1 Risk of non-payment or payment delays

It is the risk of an economic loss as a consequence of the lack of compliance of the contractual payment obligations by the Issuer or of a delay thereof. Credit quality is measured by a company's capacity to face its financial obligations, and may worsen as a result of the increases of debt or worsening of the financial ratios.

Regardless of the forthcoming, the Issuance have the guarantees from the Project Hermes I.

4.2 Risk of subordination and priority of credits before contest situations

It is the risk of suffering an economic loss in case of a contest situation of the Issuer.

The obligations of the Issuer deriving from the securities admitted to trading within the scope of this Offering Circular in the part that exceeds the value of the Project Hermes I Security Interests

once executed, are located behind the privileged creditors, on the same level as the rest of the common creditors and ahead of the subordinate creditors and does not enjoy a preference between them, in accordance with the priority order of credits established by Law 22/2003 of 9 July, Contest.

4.3 Market risk

It is the risk generated by changes in the general market investment conditions. The issuances of Fixed-Income are subjected to the possible price fluctuations in the market, mainly, the progress of the interest types and the duration of the investment. That is, an increase of the interest types in the market may decrease the market price of the securities and these quote below the subscription or purchase price.

Therefore, once the securities are admitted to trading on MARF, the quotation price of the securities may favourably or unfavourably evolve according to the market conditions, may be located on lower levels of the subscription price, in a way that the investor who wants to sell its securities could suffer losses.

4.4 Variation in the Issuer's credit rating

On February 10th, 2017, the credit rating was revised to BB +, establishing a stable trend.

In Axesor's opinion, Masmovil currently presents a significant advance in its position as a fourth operator, which together with the progress in Masmovil Broadband operations encourages the fulfillment of the financial objectives. Additionally, the project is developed in economic terms aligned with the financial capacity and commercial positioning of the MasMovil Group, factor that improves its potential in a highly competitive environment.

In accordance with the Axesor's nomenclature, a BB+ score means adequate capacity to handle the financial obligations.

The scores from the rating agencies are a form of measuring risk. In the market, the investments require more profitability of greater risk, and should assess the probability of a variation of the reduction in the credit rating of the Issuer or the securities (in case one was assigned), that could carry losses of liquidity of the securities acquired on the market and a loss of the value.

The risk of variations in the MASMOVIL BROADBAND S.A.U. credit rating by the qualification agencies is materialised in that said score may be reviewed for the registration or de-registration, suspension or even removed by the credit agency.

The review of the de-registration, suspension or removal from the credit rating by the rating agencies could alter the price of securities for the perception of the markets.

4.5 Loss of liquidity or representability of the securities on the market.

It is the risk that the market operators do not find a counterpart for the securities.

With respect to the securities subject to this Offering Circular, a wide distribution cannot be guaranteed nor ensured that it is going to produce active trading on the market or outside it.

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The admission of the Bonds to trading on MARF does not guarantee the development of a liquid secondary market on the securities, which may make a sale difficult for the investors that want to divest the securities at a given time.

4.6 The securities will be secured only up to the limit of the value of the security interests and guarantees granted, and these security interests and guarantees may not be sufficient to satisfy the obligations resulting from the securities.

In case of not paying the Bonds, the Bondholders have the Project Hermes I Security Interests that are described in Section VIII.5.3. that allow recovering an amount equivalent to the value thereof.

The Project Hermes I Security Interests have not been subject to any valuation report and there is no obligation to supply additional funds to increase the value of the Project Hermes I Security Interests if such value is insufficient. The funds obtained upon enforcement of any of the Project Hermes I Security Interests may not be sufficient to satisfy the amounts owed for the Bonds, and may even be inferior.

The value of the Project Hermes I Security Interests and the amount received upon enforcement will depend on several factors, including among others, the possibility of enforcing these Project Hermes I Security Interests by means of an ordered procedure or the economic conditions of the place where the operations are being carried out.

In case the income obtained by the enforcement of the Project Hermes I Security Interests are not sufficient to repay all amounts due by virtue of the Bonds, the Issuer will continue to be obliged to the Bondholder for the rest of the amounts owed and not recovered pursuant to the enforcement of these Project Hermes I Security Interests.

4.7 Early redemption of the securities by the Issuer

There are different events of early redemption of the Bonds from the Disbursement Date until the Final Maturity Date described in Section VIII.7. that must be taken into account by the Bondholders when investing in the Bonds subject to this Offering Circular.

4.8 The Bondholders may have to share the Project Hermes I Security Interests with the creditors of the Project Hermes I Permitted Indebtedness

In the event that the Issuer incur in Project Hermes I Permitted Indebtedness in accordance with the terms and conditions of the Bonds, the Bondholders may be forced to share the Project Hermes I Security Interests with the creditors of the Project Hermes I Permitted Indebtedness, for which purposes the Intercreditor Agreement shall be executed with those creditors.

4.9 The interests of the Issuer or its shareholders may not be aligned with the interests of the Bondholders

The interests of the Issuer or its shareholders may not coincide with the interests of the Bondholders

4.10 The meetings of the Bondholders' Syndicate may approve decisions that an individual Bondholder does not agree with

The terms and conditions of the Bonds include certain provisions regarding the functioning of the

general meeting of the Bondholders' Syndicate that may take place to decide on matters related to the Bondholders' interests. Such provisions provide for certain majorities that will be binding on all Bondholders, including the Bondholders that have not attended or voted in the meeting, or that have voted against the majority, and are required by decisions that have been made in a duly convened and held Bondholders' meeting. Therefore, it is possible that the Bondholders' Syndicate makes a decision with which an individual Bondholder does not agree, but by which all Bondholders are obligated.

IV. DECLARATION OF RESPONSIBILITY

1. Person responsible for the information that appears in the Offering Circular

- (a) Mr. Meinrad Spenger, on behalf of MASMOVIL BROADBAND S.A.U. (in this document, indistinctly, "**MASMOVIL BROADBAND S.A.U.**", "**MASMOVIL BROADBAND**", the "**Company**" or the "**Issuer**"), in his capacity of authorized representative of the Company's Sole Director, that is, Masmovil Ibercom, S.A., assumes full responsibility for the contents of this Offering Circular, which complies with the requirements of Circular Letter 1/2015 of 30 September regarding the admission and exclusion to trading of securities on the Alternative Fixed-Income Market (the "**Offering Circular**").
- (b) Mr. Meinrad Spenger, is expressly empowered to grant as many public or private documents as are necessary for the due processing of the Issuance, by virtue of the agreements adopted by the Sole Director of the Company on 7 March 2017.

2. Statement from the manager of the contents of the Offering Circular

Mr. Meinrad Spenger, on behalf of the Company, declares that, after acting with reasonable diligence to guarantee that it is as such, the information contained in this Offering Circular is, based on his knowledge, in accordance with the facts and does not incur any omission that may affect the content.

V. FUNCTIONS OF THE REGISTERED ADVISOR (*ASESOR REGISTRADO*) OF MARF

Intermoney Valores, Sociedad de Valores, S.A. is a company incorporated before Mr. Antonio Huerta Trólez, notary public in the city of Madrid, on 14 May 1998 under number 1,200 of his official records, and registered in the Companies Registry of Madrid in Volume 13.186, Record 0, Page 164, Section 8ª Page M-213521, entry 1st, and in the Record of Registered Advisors according to the Operative Instruction 3/2015 of 23 April ("**Intermoney Valores, Sociedad de Valores, S.A.**" or "**Intermoney Valores SV, S.A.**" or the "**Registered Advisor**").

Intermoney Valores, Sociedad de Valores, S.A. has been appointed as Registered Advisor (*Asesor Registrado*) of the Issuer. Thus, INTERMONEY Y VALORES, Sociedad de Valores, S.A. has committed to collaborate with the Issuer so that it may comply with the obligations and responsibilities it must assume because of the admission of its issuances to trading on the Spanish multilateral trading system known as Alternative Fixed-Income Market ("**MARF**" or the "**Market**"), acting as a specialised interlocutor between both, the Market and the Company, and as a means to facilitate the insertion and involvement thereof in the new trading system of its securities.

Moreover, Intermoney Valores, Sociedad de Valores, S.A. must provide MARF with the periodic information that it requires, and MARF, on its behalf, may gather from it as much information as

it deems necessary in relation to the actions that it carries out and with the corresponding obligations, for as many actions as necessary, specifically to contract the information that has been provided.

The Issuer must, at all times, have appointed a Registered Advisor (*Asesor Registrado*), who is registered in the “Official Records of Registered Market Advisors” (“*Registro de Asesores Registrados del Mercado*”).

Intermoney Valores, Sociedad de Valores, S.A. is the entity appointed as Registered Advisor of the Issuer, for the purposes of advising MASMOVIL BROADBAND, S.A.U. (i) in the admission to trading of the securities issued, (ii) in the compliance of any obligations and responsibilities for which the Issuer is liable because of its participation in the Alternative Fixed-Income Market, (iii) in producing and delivering the financial and business information required thereby and (iv) in the revision that the information complies with the requirements of that regulation.

In exercising the aforesaid essential function of assisting the Issuer in complying with its obligations, Intermoney Valores SV, S.A., when requesting the admission of the securities to trading on MARF:

- (i) has checked that the Issuer complies with the requirements that the MARF regulation requires for admitting the securities to trading; and
- (ii) has assisted the Issuer in producing the Offering Circular, has reviewed all information that it has provided to the Market for requesting the admission of the securities to trading on MARF, and has checked that all of the information delivered complies with the requirements of the regulations and does not omit relevant data, nor induces confusion of the interests.

After admitting the securities to trading on the Market, the Registered Advisor:

- a. will review the information that the Issuer prepares to send to MARF periodically or immediately, and shall verify that it complies with the demands of the contents and the time periods that the regulations provide for;
- b. shall assess the Issuer with regard to the facts that may affect compliance of the obligations that it may have assumed when admitting its securities to trading on MARF, in addition to the best way of handling said facts to prevent non-compliance of the aforesaid obligations;
- c. will transfer to MARF the events that may constitute a non-compliance by the Issuer in the case that it perceives a significant potential non-compliance by the Issuer of its obligations in the case that it has a potential significant non-compliance thereof that was not rectified in its advising; and
- d. will manage, attend, and reply to the consultations and requests for information that MARF sends with regard to the Issuer's situation, the progress of its activity, the level of compliance of its obligations and as many other data that the Market considers relevant.

For the previous purposes, the Registered Advisor will carry out the following actions:

- a. shall maintain necessary and regular contact with the Issuer and will analyse the exceptional situations that may be produced as a result of the progress of the price, trading volumes and other relevant circumstances in the Issuer's securities;
- b. shall sign the statements that, in general, the regulations provide for as a result of the admission of the securities to trading on MARF, as well as in relation to the information required to companies with securities admitted to trading thereon; and
- c. shall notify MARF, as soon as possible, of the communications it receives as a response to the consultations and requests for information that it may provide.

VI. AUDITORS

1. Name and address of the Issuer's auditors for the period covered by the historical financial information (in addition to its affiliation with a professional college).

KPMG Auditores S.L. residing at San Sebastián, Avenida de la Libertad 17-19, has audited the individual accounts of MASMOVIL BROADBAND S.A.U. for the 2015 financial year. In addition, KPMG Auditores S.L has audited the Consolidated Annual Accounts of MASMOVIL IBERCOM S.A. and its dependent companies corresponding to the 2014 and 2015 financial years.

2. If the auditors have renounced, have provided their functions or have not been re-appointed during the period covered by the historical financial information, should reveal the details if these are important.

The auditors of the Company have not renounced, nor have they provided their functions as auditors of the Company, during the 2016 financial year. In addition, the auditors of the Company have been annually re-appointed for 2016 and 2017 financial years.

On 8 January 2016, Masmovil Ibercom, S.A. filed a formal request to the Companies' Registry of Guipuzcoa for the automatic extension of the appointment of KPMG Auditores, S.L as auditor of the accounts of Masmovil Ibercom, S.A., and its Consolidated Group (including the Company), for financial years 2015, 2016 and 2017, and the Companies' Registry has recorded such re-appointment on the registry sheet opened for Masmovil Ibercom, S.A. (entry 53th).

VII. INFORMATION ABOUT THE ISSUER

1. History and track record of the Issuer

1.1. Origin and identification data

MASMOVIL BROADBAND, S.L., was incorporated on 25 May 2015 and transformed into a public limited liability company (*sociedad anónima unipersonal*, S.A.U.) by virtue of the public deed granted before the notary of Madrid Mr. Andrés de la Fuente O'Connor on 23 November 2015. The Company is constituted within the MasMovil Group as a lead subsidiary of the fixed broadband business and within the framework of the transfer of all active infrastructures of the Masmovil network, including the remedies, leases that provide for the right to exploit the Jazztel networks and the individual assets available to date in the EMBOU subsidiary. Along with their respective affiliates Masmovil Infrastructures, S.L.U., (*remedies* xDSL) and Masmovil Investments, S.L.U. (Fibre business co-sharing with Orange) complete the trading environment of the project and constitute the trading perimeter of the project subject to qualification.

Among others, its business purpose is providing for telecommunications services through the exploitation of networks or the resale of the telephone service, mobile telephone, landline, internet and television, and the development of IT applications.

MASMOVIL BROADBAND, S.A.U. is registered in the Companies Registry of Madrid in Volume 33.681, Page 76, Section 8ª, Sheet M-606314, entry 6th, holder of fiscal identification number A-87297354.

As of the date of this Offering Circular, the share capital of MASMOVIL BROADBAND amounts to five million euro (5,000,000 €), represented by five million (5,000,000) nominative shares of one (1) Euro of nominal value each one, of the same class and series, numbered, in order, from 1 to 5,000,000, both inclusive, totally signed and paid out in conjunction as a share premium of fifteen million 15,000,000 euro.

All the shares have the same voting and economic rights, and the sole shareholder of all the shares is Xfera Móviles, SA in accordance with the corporate restructuring implemented in December 2016, as described in section II.3 (*Corporate Structure*) above.

1.2. History of Issuer's Milestones

The main milestones achieved throughout the history of the group of companies to which the Issuer belongs are described below:

2014-2015. Masmovil acquires the EMBOU companies (2014) and NEO (2015), which constitute the start of Masmovil in the broadband business.

2015. On 19 May the European Committee approved, subject to conditions that favour competitiveness in the market, acquisition of Jazztel by Orange. On 31 July 2015, MASMOVIL BROADBAND and Jazztel agreed to the terms of the transaction.

2016. At the date of this Bonds Issuance, with respect to the project, MASMOVIL BROADBAND Project Bonds July 2016: (i) had formalised the payment of assets, and is already an owner of remedies; (ii) had launched the deployment project of the new individual network, and has some of the necessary agreements with the suppliers, and (iii) was closing the co-sharing contract online with Orange on the aforesaid base agreements, including the technical operation that defines the relationship of the parties.

After the issuance date of the aforesaid first project bonds, certain binding MoU agreements and addenda to the framework agreements were executed with Orange, particularly the following agreements:

26 July 2016

- A binding MoU agreement for the provision of access to fibre service in some of the areas where Orange is covered by FTTH, under which MASMOVIL BROADBAND will have the possibility of hiring a fibre service in the "regulated areas" as defined in the Resolution of the CNMC dated 24 February 2016 regarding the revision of the wholesale broadband markets access/broadband (3a, 3b and 4).
- A binding MoU agreement to extend the scope of the infrastructures co-sharing of FTTH

network agreement signed on 6 June 2016, whereby Orange undertakes to make available to MASMOVIL BROADBAND up to 1,500,000 Real estate units (BU) in accordance with a calendar between 2017 and 2019, as well as up to 250,000 Real estate units (BU) before 31 December 2019 in the "unregulated zone" (i.e. 66 major Spanish cities).

- A binding MoU agreement to amend the framework agreement for indirect provision of services on the copper network signed on 31 July 2015, in view of the new FTTH shared deployment and wholesale fibre supply agreement, allowing that MASMOVIL BROADBAND may provide for access to fibre service in areas where it initially planned to provide for ADSL services.

7 October 2016

- An addendum to the framework agreement for indirect provision of services on the copper network signed on 31 July 2015, under which the applicable discounts on the monthly prices agreed are modified again according to the average number of lines hired each month in light of the amendments to the access of fibre service agreements in regulated areas and in unregulated areas, which were signed on this same date of 7 October 2016, and expressly agreeing that the acquisition of Xfera Móviles, SA (Yoigo) by MasMovil group would not imply any form of change of control that would allow Orange to request an advance payment of the agreed fixed amount.
- An addendum to the infrastructures co-sharing of FTTH network agreement, formalizing the commitments previously assumed in the binding MoU agreement signed on 26 July 2016, in order to extend the scope of the co-sharing of FTTH network infrastructures agreement.
- An addendum to the infrastructures co-sharing of FTTH network agreement, access service to regulated areas (as defined in the CNMC Resolution dated 24 February 2016), formalizing the commitments previously assumed in the binding MoU agreement signed on 26 July 2016, for the provision of access to fibre service in some of the areas where Orange has FTTH coverage and MASMOVIL BROADBAND requests the service, with the same access service conditions and the same economic conditions than those regulated in the aforesaid binding MoU agreement for the unregulated areas.
- An addendum to the infrastructures co-sharing of FTTH network agreement, access service to unregulated areas (as defined in the CNMC Resolution dated 24 February 2016), formalizing the commitments previously assumed in the binding MoU agreement signed on 26 July 2016, for the provision of access to fibre service in some of the areas where Orange has FTTH coverage and MASMOVIL BROADBAND requests the service, with the same access service conditions and the same economic conditions than those regulated in the aforesaid binding MoU agreement for the unregulated areas.

16 December 2016

- A binding MoU agreement for the provision of FTTH traffic transport service from OLTs to 2 national interconnection nodes, signed in consideration to the Addenda signed on 7 October 2016, for the co-sharing agreement under which it was extended the co-sharing commitment and was enable the hiring of access to fibre service on the Orange FTTH network by MASMOVIL BROADBAND, which provides for the general conditions under which Orange will provide FTTH traffic transport services from the terminals of the Optical Line Terminal ("OLT") of the mutual network and access to fibre service provided in the co-

sharing agreements and their addenda, to two national interconnection nodes.

This binding MoU agreement provides the parties 'obligation to negotiate in good faith and to sign a new addendum for the co-sharing agreement, developing and defining in greater detail the contents and performance of the obligations that each of the parties undertakes thereunder, and such agreement has been executed on 31 January 2017.

- During financial year 2016, MASMOVIL BROADBAND has expanded its own network through its own deployment both in relation to the remedies as well as without any relation to them, having reached at the end of the year approximately 924,000 BU.

2017. On the date of this document signing, the situation of MASMOVIL BROADBAND regarding the project is the following:

- During January 2017, MASMOVIL BROADBAND has received FEDER advance payments in an aggregate amount of 9,101,167.91 euro under the New Generation Broadband Extension Program or "PEBA Plan" from the Ministry of Energy, Tourism and Digital Agenda, as well as public aids aimed to accelerate the coverage extension of public electronic communications networks capable of providing high-speed (above 30 Mbps) and very high-speed (above 100 Mbps) broadband services to areas without current coverage nor envisaged to have.
- Conclusion of the negotiations for the execution of a new addendum to the co-sharing agreement, developing and defining in greater detail the contents and performance of the obligations set out in the binding MoU agreement signed on 16 December 2016, for the provision of a FTTH traffic transport service from OLTs to 2 national interconnection nodes.
- Signing of a new equipment supply and maintenance agreement, in terms essentially equivalent to those agreed with ZTE España, S.L.U. on 11 July 2016 (but not including any financial indebtedness or the granting of any kind of *in rem* security interests), with Huawei Technologies España, S.L.U. ("**Huawei**") as the main provider of network infrastructures. The aforesaid equipment supply and maintenance agreement was signed with Huawei on 10 February 2017.

2. Main shareholders and organisational structure

On the signing date of this document, all of the MASMOVIL BROADBAND shares are held by Xfera Móviles, S.A., company wholly owned, indirectly by Masmovil Ibercom, S.A., which is also the head of the MasMovil Group.

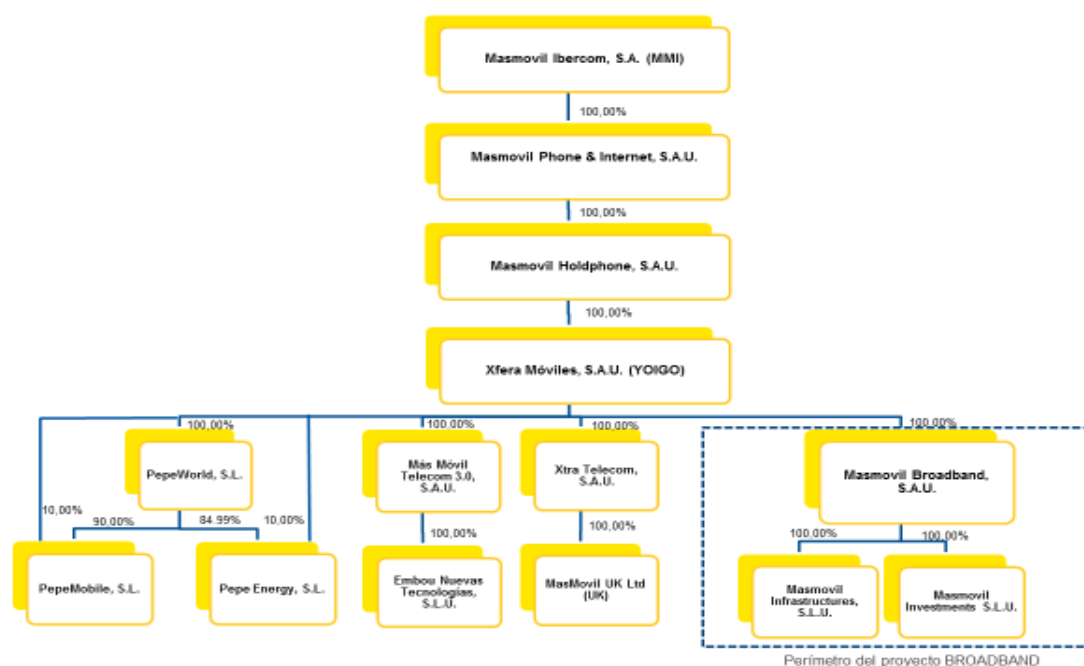
The MasMovil Group, whose parent company is Masmovil Ibercom, S.A., has a widely diversified shareholder structure, with a free float of 30% (participation lower than 3% and without presence on the board, not being part of any vote syndication agreement).

Among the shareholders of the MasMovil Group, following the share capital increase in Masmovil Ibercom, S.A. executed on 26 July 2016, the institutional investor Providence Equity Partners (through PLT VII Holdco Sarl.) stands out, which subscribed a 18% of the share capital in Masmovil Ibercom, S.A. The shareholding held by the members of the board of directors (excluding Providence) amounts to 14%, while the shareholders with more than 3% of the share capital of Masmovil Ibercom, S.A. (or being part of a vote syndication agreement) represent a 38% thereof.

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3. Organisational structure

The companies with activity that consolidate under the global integration method as of the date of this Offering Circular are detailed below:



4. Business Purpose

The business purpose of MASMOVIL BROADBAND is stated in Article 4 of its by-laws, which text is literally reproduced below:

“ARTICLE 4. BUSINESS PURPOSE.

The company, which shall have the full legal and operational capacity, has the following business purpose:

- a) *Providing telecommunications services through exploiting networks or the resale of the telephone service, mobile telephone, landline, internet and television, and the development of IT applications.*
- b) *Providing and marketing services through the IT network.*
- c) *IT advising and consulting. Analysis of companies, technical collaboration of software and hardware. Application and teaching about IT applications. Advising for strategic and operational planning. Organisation of human and material means and carrying out studies and business reports, and advising and consulting for exploiting telecommunications companies and business strategy.*
- d) *Sales, distribution, importation, exportation, maintenance and service of all products and*

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services related to IT, with regard to hardware, software and the internet, as well as the distribution and sale of any product and service through the internet, infoway or any other similar complementary or replacement information network for the current ones.

- e) *Providing services to third parties of studies, projects, technical advising and investment in telecommunications and IT applications. Management support services are expressly included in this Section.*

The activities that form part of the business purpose must be carried out by the Company totally or partially in an indirect manner, by any means permitted by law, and in particular, through owning assets or shares in companies with an identical or similar purpose.”

5. Bodies of administration and management

The legal representation of the Company is vested on its sole director (*administrador único*). On 18 November 2015, the sole shareholder of the company approved the decision to re-elect MASMOVIL IBERCOM, S.A. as the sole director of the Company, as represented by the physical person, Mr. Meinrad Spenger, for a six-year term.

In recent months, Masmovil has significantly increased the number of its human resources. It has hired specialist staff into its organizational structure with adequate experience in companies in the broadband sector.

A particularly significant addition to the management organizational structure is a Steering Committee dedicated to monitoring the broadband project that is composed of members of MasMovil Ibercom every week. Among its members, it has the Deputy General Director, Technology Director (CTO), Financial Director (CFO), and the directors of the Residential Units, Businesses, Purchases and Operations of clients.

Furthermore, MASMOVIL BROADBAND has established management and monitoring committees for its own activities, which are as follows:

- Deployment Committee (Bimonthly): CEO, CTO and Network Director
- Purchase Committee (Bimonthly): CEO, CFO, Purchase Director and CTO Economy Committee
- Committee (monthly): CEO, COO and CFO

6. Project Description (Project Hermes I)

6.1 General aspects

MASMOVIL BROADBAND is the company created for the purposes of developing the fixed broadband internet business for the MasMovil Group.

The project started when Masmovil was awarded with the fibre optic network assets (fibre to the home or FTTH) put up for sale by Jazztel as imposed by the European Commission in its acquisition of Orange, and that includes access to the copper network deployed by Jazztel to provide fixed broadband service (xDSL technology). In addition to the development of its own network, the project also consists of, the remedies, deployment of a new individual network by MASMOVIL

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BROADBAND, and the use of the FTTH network of a third party, under a regime of infrastructures co-sharing.

6.2 Project Description for the Project Hermes I

The fixed broadband business offers diverse telecommunications technologies that allow transferring data at high speed, both to individuals and to companies, allowing internet access functions from a fixed connection point, among other functions. Among the different technologies, the following ones stand out: those that use the copper pair (xDSL technologies, mixed cable (HFC), fibre optic (FTTH), wireless (WiMAX, 4G/LTE) and satellite (VSAT). The broadband data business is the segment that currently drive the telecommunications sector in Spain, amidst declining income from the voice sector (telephone).

Within the framework of this project, both the xDSL technologies (ADSL is the most common) must be pointed out, as well as the most advanced fibre-optic technology (FTTH) that represent the services or businesses in which MASMOVIL BROADBAND is attempting to operate. The FTTH technology (Fibre To The Home) uses the fibre-optic network installed and with direct access to the client's point to offer the best data transmission currently in terms of speed and quality. FTTH technology, along with HFC (fibre + cable) forms part of the so-called networks of the new generation (NGA), which will progressively headline the fixed broadband market.

XDSL technology uses the copper network, traditionally associated with the landline sector, for providing broadband service and presenting as a main advantage over the NGA a greater capillarity in Spain, because it is an older technology and deployed 9 million active lines in 2014. With respect to the Jazztel copper network, to which MASMOVIL BROADBAND has indirect access (xDSL remedies), it must be pointed out that it operates at the same time on the installation of a loop completely independent of the Telefónica network, which is therefore subject to the OBA conditions (Access Offer to the Subscriber Loop), regulated by the CNMC. It is established that all accesses contracted shall be in a single delivery point. A second redundant delivery point may be established manually if it is requested by MASMOVIL BROADBAND.

With respect to the remedies acquired, they consist of an FTTH network based on a GPON network with 1:64 splitting in two levels (1:4 and 1:6), associated with its respective locations or headquarters (base stations for starting the network), supply networks (from the headquarters to the buildings), distribution networks (inside the building to the electrical boxes) and dispersion networks (dedicated to the clients).

The FTTH network acquired from Jazztel includes 13 locations or headquarters located in Madrid, Alcorcón, Barcelona, Badalona, Hospitalet de Llobregat, Valencia, Seville and Málaga. In total, 740,391 business units were acquired. The network has a joint maximum use capacity of up to 70%, which is a comfortable margin with respect to the objectives required in the MASMOVIL BROADBAND business plan.

The network status has been verified through due diligence by Eurocontrol on 15 December 2015, which declared a “correct status of the network” as a conclusion to the field auditing carried out and based on their working methodology (documented auditing of 5.56% of the total initial business units of the network acquired and field auditing of 20% of the documented sample).

6.3 Management Characteristics

MASMOVIL BROADBAND is currently configured as the key project in Masmovil's qualitative and quantitative leap, which gives them a significant management role that is accompanied by human

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resources, technicians and economists as a result of the importance of the business it is carrying out, in addition to the complexity thereof. In recent months, Masmovil has made a significant effort in providing human resources for the Project.

In the management organisational structure, a Directive Committee has been established that is exclusively dedicated to monitoring the broadband project, which among its members has the Deputy General Director, Technology Director (CTO), Financial Director (CFO), and the directors of the Residential Units, Businesses, Purchases and Client Operations.

With respect to managing the technical execution of deploying the individual network, which is a key aspect in achieving the objectives, has an adequate project planning framework, in addition to the deployment locations. The different deployment process benchmarks and control points are defined at the level of each group of business units to cover.

The technical deployment process has its own organisational structure, headed by the Network Director, where the presence of the staff and internal media stand out in all network fields and to a greater degree the internal presence in the fields of engineering access, network deployment and in the area of operation and maintenance (O&M). In this sense, Masmovil provides experience from its subsidiary EMBOU in deploying the individual network, with more than fifteen million past customers with fibre optics.

For planning and execution, the network deployment and implementation also has contracting specialists from the sector in the different spheres identified (compliance mandatory). Currently, the Company has offers launched and a study for the first batches of the network, which will address engineering and construction, execution and quality control, and compliance with the labour aspects, supply of active equipment, and the control of activities and quality guarantee (PMO support, QA documentation, and management tools).

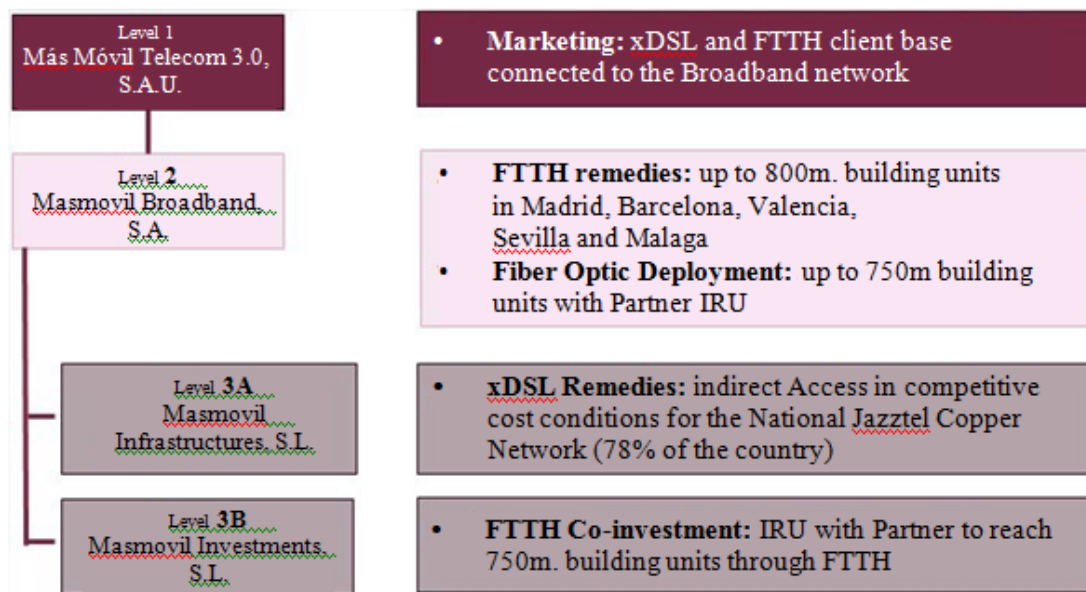
Weekly control of the project has tools that permit integral monitoring of the deployment projects. Managing all of the information is centralised, and is updated through the integration of systems, both internal to the company and external, expanded to the economic control, project management, “sucs” management and infrastructures, QA documentation, risk management, occupational risk prevention, creating reports and operational controls.

6.4 Cash Flow Mechanism

The cash flow mechanism depends to a large extent on the capacity of the MasMovil Group to attract clients, which is reinforced by the structure of security interests and guarantees and *financing covenants* that this Offering Circular provides for to mitigate the associated risk. The commercial management of network infrastructures shall be carried out by the commercial structure of the group located at the subsidiary Masmóvil Telecom 3.0, S.A.U. (called Level 1).

Cash-flow generation is connected to the relationship of different affiliates involved in the fixed broadband business of the MasMovil Group. Thus, affiliates where the assets of the individual networks (Level 2) and those that contain the assets assigned for use by Jazztel and the Orange (Level 3) participate in the process along with Masmovil Telecom, which carries out the commercial works.

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The structure of *covenants* that is linked to the financing of the Project Hermes I controls and limits both the cash flow and the debt within the project perimeter, and in general, the capacity of action for each one of the Affiliates. Within the aforesaid structure of *covenants*, and as an important aspect for improving the commercial capacity of MASMOVIL BROADBAND, the Issuer is obliged under certain cases to open the marketing of its assets to telecommunications companies outside the MasMovil Group.

Income from the Project Hermes I entails both the payments received from Jazztel and Orange for the use of the broadband network (IRU), Fixed-Income, and those corresponding to marketing the services of the FTTH and xDSL network proceeding from Level 1, where the Issuer obtains a positive margin. The IRU incomes are fixed and supported by the respective agreements, if they constitute a limited percentage of the Issuer's income.

The increase of the client base in the different network technologies determines the growing progress estimated in the income.

6.5 Legal Framework

The Ministry of Energy, Tourism and Digital Agenda (“MINETAD”) regulates and controls the services and networks of electronic telecommunications. The main role of MINETAD is to establish a policy, dictate the regulations and sanction the operators of electronic communications and audio visual communications, when necessary.

The project is regulated in general by the laws of Spain and European Union in the field of telecommunications. With regard to the Spanish market, the National Securities Market Commission (“CNMC”), through the Management of the Telecommunications and the Audiovisual Sector, is the body in charge of guaranteeing, preserving and promoting the correct functioning, transparency and the existence of effective competency in all of the markets, including the electronic communications and the audiovisual communications markets, and production sectors on behalf of consumers and users. The CNMC, created by Law 3/2013 of 4 June, is configured as a public body ascribed to the Ministry of Economy and Competition, with its own legal persona and fully independent of the Government, Public Administrations and market agents.

The Telecommunications Administration of the Audiovisual Sector exercises its functions in accordance with the provisions of Law 3/2013, of 4 June, to create the National Securities Market Commission, in addition to Law 9/2014 of 9 May on Telecommunications, Law 7/2010 of 31 March called General Audiovisual Communications Law, and the regulations that the aforesaid laws provide for.

In relation to the deployment of new generation networks, Law 9/2014 guarantees the maintenance of the investment flows by the operators in a competitive environment. In this sense, the incorporation of a Common Telecommunications Network (“ICT”) in the new buildings, in addition to the installation of ultra-fast networks in already built buildings (fibre optic deployments), facilitates the extension of networks of a new generation. Said aspects are regulated in Article 45 of the aforesaid law.

With regard to the broadband internet access wholesale market and in order to guarantee competition, in accordance with the provisions of Articles 13 and 70.2 of the General Telecommunications Law, the CNMC has the function of defining and analysing the aforesaid markets. This entails identifying the operators that have significant market power and setting conditions in which the operator with significant power in the market can provide to other certain operators, network elements and services, that permits establishing individual broadband services directed both to the minority use and business use. The network services are regulated in the Access Offer to the Subscriber Loop (OBA) in the Baseline Offer of the New Broadband Ethernet Service (NEBA) and in the Wholesale Offer of Access to Registries and Conducts (MARCo), which are approved by the CNMC periodically.

On 24 February 2016, the CNMC approved the definition and analysis of the local access wholesale market in a fixed location in Spain and the residential and business markets of wholesale broadband access in Spain, considering that Telefónica de España, S.A.U. (“**Telefónica**”) has significant power in said market, and establishes the following measures in order to favour competitiveness:

- In the direct access market, high competition areas are identified (at least three operators deploying NGA with a minimum individual coverage of 20%) for which Telefónica shall not have access requirements to its fibre optic network. However, the valid obligations will be maintained for the copper network and access to the infrastructures of civil use.

The high competition area consists of 66 municipalities and would cover 34.6% if the total population. For the rest of the (high competition) areas, the CNMC shall require Telefónica to provide a virtual unbundled service to third parties (local NEBA) for its fibre network and to remove the 30 Mb/s limit.

- With respect to the residential indirect access, there is also an area of greater competition identified. For this competitive area, all valid obligations of indirect wholesale access to the operator with significant market power will be eliminated within six months. For the rest of the areas, it has been decided to maintain the obligation of offering indirect wholesale access to the copper and fibre optic network of the operator with significant market power without a speed limit of 30 Mb/s (NEBA copper and NEBA fibre).
- With regard to the business indirect access market, it is agreed to provide the alternative operators with a wholesale offer of indirect access for fibre and copper for the business sector, where a reduced competition has been identified between operators.

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7. Purpose of the Issuance and Use of Proceeds

The destination of the funds obtained with this Issuance of Bonds shall be for carrying out the activity of the Issuer, in particular, for financing and carrying out the Project Hermes I exclusively.

8. Financial information

8.1 Audited history of the financial information

This Section includes a summary of the information contained in the Audited Individual Annual Accounts and in the Audited Consolidated Annual Accounts of MASMOVIL BROADBAND, S.A.U. for the 2015 financial year (from the date of incorporation on 25 May until 31 December 2015).

The annual accounts have been prepared based on accounting records from the Issuer and are submitted in accordance with the General Accounting Plan approved by Royal Decree 1514/2007 of 16 November, so that they show the faithful image of ownership and financial system of the operational results, of the changes in the net worth and the cash flows that have been produced in the company during the corresponding financial year.

At the date of release of this Offering Circular, there are no audited annual accounts for the 2016 business year as the legal deadlines applicable for their presentation have not expired yet.

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MASMOVIL BROADBAND, S.A.U.

Individual balance sheet of the 2015 financial year (in euro)

	2015
ASSET	
Intangible Asset	20,151,595
Rights of Use	20,151,595
Material Assets	88,671,639
Fibre Optic Network	88,572,389
Assets Under Construction and Down Payments	99,250
Investments in Group and Long-term Companies	1,006,000
Equity Instruments	1,006,000
Deferred Tax Assets	164,794
Total Non-current Assets	109,994,028
Trade Debtors and Other Accounts Receivable	87,740,229
Clients by Sales and Providing Services	83,490,000
Other Credits with Public Administrations	4,250,229
Cash and Other Similar Liquid Assets	19,019,538
Treasury	19,019,538
Total Current Assets	106,759,767
Total Assets	216,753,795
NET WORTH AND LIABILITIES	
Equity	19,499,832
Capital	5,000,000
Share Premium	15,000,000
Reserves	(5,783)
Profit or Loss of the Year	(494,385)
Total Net Worth	19,499,832
Long-term Debts	20,310,208
Other Financial Liabilities	20,310,208
Distributable Income in Several Financial Years	68,584,110
Total Non-current Liabilities	88,894,318
Short-term Debts	107,992,500
Other Financial Liabilities	107,992,500
Debts with Companies from the Group and Short-term Debts	70,000
Commercial Creditors and Other Accounts Payable	297,145
Short-term Suppliers	296,275
Other Debts with Public Administrations	870
Total Current Liabilities	108,359,645
Total Net Worth and Liabilities	216,753,795

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MASMOVIL BROADBAND S.A.U.	
Individual profits and losses account from the 2015 financial year (in euro)	
	2015
CONTINUED OPERATIONS	
Net Worth of the Bottom Line	415,890
Providing Services	415,890
Other Operational Expenses	(54)
Exterior Services	(54)
Depreciation of Assets	(677,071)
RESULTADO DE EXPLOTACION	(261,235)
Financial Expenses	(397,944)
Debts with Third Parties	(397,944)
FINANCIAL RESULT	(397,944)
PRE-TAX INCOME	(659,179)
Tax on Profits	164,794
PROFIT OR LOSS OF THE FINANCIAL YEAR	(494,385)

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MASMOVIL BROADBAND, S.A. AND SUBSIDIARY COMPANIES
Consolidated Balance of the 2015 financial year (thousands of euro)

euro	<u>2015</u>
ASSET	
Intangible Asset	20,151,595
Rights of Use	20,151,595
Material Asset	88,671,639
Fibre Optic Network	88,572,389
Assets Under Construction and Down Payments	99,250
Investments in Group and Long-term Companies	1,006,000
Equity Instruments	1,006,000
Deferred Tax Assets	164,794
Total Non-current Assets	<u>109,994,028</u>
Trade Debtors and Other Accounts Receivable	87,740,229
Clients by Sales and Providing Services	83,490,000
Other Credits with Public Administrations	4,250,229
Cash and Other Similar Liquid Assets	19,019,538
Treasury	19,019,538
Total Current Assets	<u>106,759,767</u>
Total Assets	<u><u>216,753,795</u></u>
	<u>2015</u>
NET WORTH AND LIABILITIES	
Equity	19,499,832
Capital	5,000,000
Share Premium	15,000,000
Reserves	(5,783)
Profit or Loss for the Year	(494,385)
Total Net Worth	<u>19,499,832</u>
Long-term Debts	20,310,208
Other Financial Liabilities	20,310,208
Distributable Income in Several Financial Years	68,584,110
Total Non-current Liabilities	<u>88,894,318</u>
Short-term Debts	107,992,500
Other Financial Liabilities	107,992,500
Debts with Companies from the Group and Short-term Debts	70,000
Commercial Creditors and Other Accounts Payable	297,145
Short-term Suppliers	296,275
Other Debts with Public Administrations	870
Total Current Liabilities	<u>108,359,645</u>
Total Net Worth and Liabilities	<u><u>216,753,795</u></u>

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MASMOVIL BROADBAND, S.A.U.

Consolidated Account of Profits and Losses from the 2015 financial year (thousands of euro)

	<u>2015</u>
CONTINUED OPERATIONS	
Net Worth of the Bottom Line	415,890
Providing Services	415,890
<u>Other Operational Expenses</u>	<u>(54)</u>
Exterior Services	(54)
<u>Repaying the Asset</u>	<u>(677,071)</u>
OPERATIONAL RESULT	<u>(261,235)</u>
Financial Expenses	(397,944)
Debts with Third Parties	(397,944)
FINANCIAL RESULT	<u>(397,944)</u>
PRE-TAX INCOME	<u>(659,179)</u>
Tax on Profits	164,794
<u>PROFIT OR LOSS OF THE FINANCIAL YEAR</u>	<u>(494,385)</u>

8.2 Auditing of annual historical financial information

8.2.1 *Statement that the historical financial information has been audited. If the auditing reports on the historical financial information have been rejected by the legal auditors or if they contain qualifications or denials, the rejection, qualifications or denials will be reproduced, explaining the reasons.*

The historical financial information corresponding to the 2015 financial year was audited by KPMG and the auditing reports have been favourable, without recognised any exception for the paragraphs of emphasis in any of the aforesaid financial years.

8.2.2 *Indication of other information on the Offering Circular that has been audited by the auditors.*

Except for the 2015 annual accounts, there is no other information on the Offering Circular that has been audited by the auditors.

8.2.3 *When the financial data of the Offering Circular has not been extracted from the audited Consolidated Annual Accounts of the Issuer, it must declare the source of the data and declare that the data has not been audited.*

All of the financial data of the Offering Circular has been extracted from the Consolidated Annual Accounts of the MasMovil Group and the Individual Annual Accounts of MASMOVIL BROADBAND, S.A.U.

8.3 Age of the most recent financial information

At the date of this Offering Circular, more than 6 months have passed since the last audited balance.

8.4 Judicial, administrative and arbitration procedures

At the date of this Offering Circular, the Company is not part of any judicial, administrative and arbitration procedure

8.5 Existing financial indebtedness

At the date of this Offering Circular, the Company has the following financial indebtedness: 1) the indebtedness linked to the IRO acquisition of Jazztel, and 2) the financial indebtedness deriving from the issuance of the first project bonds named MASMOVIL BROADBAND Project Bonds July 2016, in the amount of 30,000,000 euro.

8.6 Significant changes in the financial or commercial position of the Issuer

Since 31 December 2015 until the date of this Offering Circular, no significant changes have occurred in the financial or commercial position of the Issuer, without prejudice to the financial indebtedness derived from the issuance of the first project bonds, denominated MASMOVIL BROADBAND S.A.U. Bond July 2016, amounting to 30,000,000 euro, as well as the replacement of the commercial agreement signed with ZTE Spain, S.L.U. on 11 July 2016, with the new equipment supply and maintenance agreement signed on 10 February 2017 with Huawei Technologies España, S.L.U. ("Huawei") as the main provider of network infrastructures.

Likewise, on January 2017, MASMOVIL BROADBAND has received FEDER advances payment in a total amount of 9,101,167.91 euro under the New Generation Broadband Extension Program or “PEBA Plan” from the Ministry of Energy, Tourism and Digital Agenda, as well as public aids aimed to accelerate the coverage extension of public electronic communications networks capable of providing high-speed (above 30 Mbps) and very high-speed (above 100 Mbps) broadband services to areas without current coverage nor foreseen.

VIII. TERMS AND CONDITIONS OF THE BONDS

1. Complete information about the issuance of securities, description of the securities and currency of the issuance.

The securities that are the subject-matter of this Offering Circular (the “**Bonds**”) are simple non-subordinated and senior Secured Obligations corresponding to the Issuance of unconditional MASMOVIL BROADBAND S.A.U. Bonds in March 2017 (the “**Issuance**”). The Bonds shall have the security interests and guarantees described in Section VIII.5.3.

The Bonds are fixed-income securities that constitute debt obligations for the Issuer. The Bonds accrue interest and are redeemable at their maturity date, according to the Mandatory Redemption Schedule. The nominal unit amount of the Bonds shall be reduced in the part corresponding on each one of the three repayment dates in accordance with the provisions set out in Section VIII.9.1.

The Bonds are issued in euro, and have a nominal value per bond of one hundred thousand euro (100,000 euro) and belong to a single class and series.

Regardless of the provisions of Section 5.4 below, the proceeds obtained within the scope of the Issuance shall be allocated to funding the “Project Hermes I”.

2. ISIN code assigned by the Spanish National Numbering Agency

The International Securities Identification Number (ISIN) assigned by the Spanish National Numbering Agency (*Agencia Nacional de Codificación de Valores*) is ES0205138003.

3. Total amount of the securities, number of securities, nominal unit value and Issuance price

The total nominal value of the Issuance amounts to thirty-eight million (38,000,000) euro, made up of three hundred and eighty (380) Bonds of one hundred thousand (100,000) euro of initial nominal value, each one grouped into a single class or series.

The Issuance price is 103.41% of the face value, calculated as the sum of: a) the price that ensures the purchaser of the securities an internal rate of return as of the date of the Issuance Date equal to 5.10% and, b) the accrued interest coupon as of the Issuance Date from the latest Payment Date. This price shall be net of taxes and expenses for the purchaser of the securities. Accrued interest coupon as of the Issuance Date of this Issuance is equal to 3.654795%.

4. Fungibility of the securities

This Issuance may be mutually substituted with other bond issuances from the Issuer that provide for its fungibility (*fungibilidad*) with this or other issuances. The issuances that were mutually

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substituted with this Issuance would benefit from all of the security interests and guarantees that secure the Bonds that form part of this Issuance and the owners that will constitute the Bondholders' Syndicate of this Issuance. Such mutually substitutable issuances must observe the conditions of the Project Hermes I Permitted Indebtedness. In particular, this issuance of Bonds is fungible with the issuance of the MASMOVIL BROADBAND Bonds July 2016. Note that the Permitted Indebtedness of the Project Hermes I has not been reached because the maximum amount of 70,000,000 euro that section VIII, 6.5. provides for is not reached.

5. Issuance Date and Disbursement Date, period for requesting the subscription of the securities. Placement system and, if applicable, underwriting of the Issuance. Security Interests and Guarantees of the Issuance, if applicable.

5.1. Issuance Date and Disbursement Date

The date for issuing and subscribing the Bonds is 10 March 2017 (the "**Issuance Date**") and the date to pay out the Bonds is 16 March 2017 (the "**Disbursement Date**").

For the purposes set out in Article 7 of the LMV, the Issuer has deposited an issuance document (*documento de emisión*) (the "**Issuance Document**") in the National Securities Market Commission, in Iberclear and in the Alternative Fixed-Income Market, which details the features of the Bonds.

5.2. Placing and underwriting the Issuance

The Issuance has been subject to private placement between qualified investors by a group of Joint Bookrunners, consisting of BANCO DE SABADELL, S.A., BANKINTER, S.A. (through Bankinter Securities S.V.), BEKA FINANCE S.V., S.A. (GVC Gaesco Beka acting as associated bookrunner) and INTERMONEY VALORES, S.V., which have signed a placement contract (*contrato de colocación*) with the Issuer.

INTERMONEY VALORES, S.V., S.A also acts as Global Coordinator (*Entidad Coordinadora Global*) of the Issuance.

Immediately after the Signing Period is closed, the Joint Bookrunners shall inform the Issuer of the amount of the Bonds that had been effectively placed, so that the Issuer could request the first registration of the Bonds in the registries managed by Iberclear.

Neither the Joint Bookrunners nor any other entity have assumed underwritings commitments for the Issuance.

5.3. Security Interests of the Issuance

Regardless of the Issuer's unlimited asset responsibility, the Bonds are secured by means of the security interests and guarantees (the "**Project Hermes I Security Interests**") described hereafter.

The Project Hermes I Security Interests were granted at the time the MASMOVIL BROADBAND Bonds July 2016 were issued. The documentation of the Project Hermes I Security Interests expressly provides for the extension of the security interests and guarantees over any extension of the issuance of MASMOVIL BROADBAND Bonds July 2016, as this issuance. Notwithstanding with the foregoing, on 10 March 2017 a ratification deed has been executed in order to formalize that the Project Hermes I Security Interests granted on 21 July 2016 also secure the Bonds of this

issuance MASMOVIL BROADBAND S.A.U. March 2017, including the ratification of the pledge on the Issuer's shares by Xfera Móviles, S.A, as the new sole shareholder of MASMOVIL BROADBAND.

The requirements covered by the Project Hermes I Security Interests shall be all current and future matured bonds, owed or incurred, at any time, by the Issuer to the Bondholders (including any mutually substitutable Bondholders with this Issuance, and particularly the issuance of Bonds of MASMOVIL BROADBAND S.A.U. Julio 2016) (the “**Secured Parties**”), both the real and potential bonds, and whether or not they are incurred separately or together, and as a principal or guarantee or for any other reason (the “**Secured Obligations**”).

5.3.1.Share Pledge over the Issuer's share capital

As a guarantee of the fulfilment of the Secured Obligations, and regardless of the unlimited personal responsibility of the Issuer pursuant to Article 1911 of the Civil Code, which shall not be deemed limited to any extent because of the creation of the Project Hermes I Security Interests, Xfera Móviles, S.A has granted a first-ranking possessory pledge over one hundred percent (100%) of the Issuer's shares on behalf of the Secured Parties, acting through the Commissionaire of the Bondholders' Syndicate, who has accepted said pledge on behalf of the Bondholders, which shall extend and pertain to all titles and securities that correspond to the new shares created by virtue of the capital increases, in this case (the “**Share Pledge over the Issuer's share capital**”).

During the validity of the Share Pledge over the Issuer's share capital, it shall be automatically extended to any other type of asset (tangible or intangible), shares, securities or funds that may substitute the shares or be exchangeable for them or inherent to them in case of merger, division, termination, dissolution, liquidation, extension or reduction of capital, conversion or exchange of shares, status change, division or similar event that affects the Issuer.

The Share Pledge over the Issuer's share capital is non-divisible. Accordingly, the cancellation (total or partial) of the Share Pledge over the Issuer's share capital shall not take effect until all of the Secured Obligations have been unconditionally and irrevocably paid in full. The partial payment and cancellation of said Secured Obligations shall not proportionally terminate the Share Pledge over the Issuer's share capital.

The pledgor may only try to obtain the cancellation, release and annulment of the Share Pledge over the Issuer's share capital after paying and unconditionally and irrevocably fulfilling all of the Secured Obligations in their entirety.

The enforcement and cancellation of the Share Pledge over the Issuer's share capital must always be done collectively through the Commissionaire, and must always comply with the majorities required in the Regulations of the Bondholders' Syndicate.

5.3.2.Pledge on subsidiary participation (Masmovil Investments, S.L.U. and Masmovil Infrastructures, S.L.U.)

As a guarantee of the fulfilment of the Secured Obligations, and regardless of the unlimited personal responsibility of the Issuer pursuant to Article 1911 of the Civil Code, which shall not be deemed limited to any extent because of the creation of the Project Hermes I Security Interests, MASMOVIL BROADBAND has granted a first-ranking possessory pledge over the affiliates' shares (Masmovil Investments, S.L.U. and Masmovil Infrastructures, S.L.U.) on

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behalf of the Secured Parties, acting through the Commissionaire of the Bondholders' Syndicate, who has accepted such pledge on behalf of the Bondholders, which shall extend and pertain to all titles and securities that correspond to the new shares created by virtue of the share capital increases, in this case (the **"Share Pledge over the Quotas in Masmovil Investments"** and the **"Share Pledge over the Quotas in Masmovil Infrastructures"** respectively, and jointly the **"Share Pledges over the Quotas in the Affiliates"**).

During the validity of the Share Pledges over the Quotas in the Affiliates, it shall be automatically extended to any other type of asset (tangible or intangible), shares, securities or funds that may substitute the shares or be exchangeable for them or inherent to them in case of merger, division, termination, dissolution, liquidation, increase or reduction of capital, conversion or exchange of shares, status change, division or similar event that affects the Issuer.

Each one of the Share Pledges over the Quotas in the Affiliates is indivisible. As a result, the cancellation (total or partial) of the Share Pledges over the Quotas in the Affiliates shall not take effect until all of the Secured Obligations have been unconditionally and irrevocably paid in full. The partial payment and cancellation of said Secured Obligations shall not expire on a pro rata basis the Share Pledges over the Quotas in the Affiliates.

The Issuer may only try to obtain the cancellation, release and annulment of the Share Pledges over the Quotas in the Affiliates after paying and unconditionally and irrevocably fulfilling all of the Secured Obligations in their entirety.

The enforcement and cancellation of the Share Pledges over the Quotas in the Affiliates must always be done collectively through the Commissionaire, and must always comply with the majorities required in the Regulations of the Bondholders' Syndicate.

5.3.3. Pledge over the credit rights held by the Issuer deriving from the Material Contracts

As a guarantee of the fulfilment of the Secured Obligations, and regardless of the unlimited personal responsibility of the Issuer pursuant to Article 1911 of the Civil Code, which shall not be deemed limited to any extent because of the creation of the Project Hermes I Security Interests, the Issuer has granted a first-ranking possessory Pledge over the credit rights, both current and in the future, which are derived from the Material Contracts executed at this date (that is, the Exclusive Marketing Contract) on behalf of the Secured Parties, acting through the Commissionaire of the Bondholders' Syndicate, who has accepted said Pledge on behalf of the Bondholders, in addition to pledges committed for Material Contracts that may be executed in the future (the **"Pledge over Material Contracts"**).

Moreover, the Pledge over Contract Materials shall include a promissory pledge over the Contract Materials that may be executed in the future and from which credit rights may derive in favour of the Issuer.

The Pledge over Material Contracts may extend in the future to all those credit rights deriving from any other contracts executed with third parties that extend, change or substitute the previous ones, including when applicable, those that derive from the use or maintenance of any element in the infrastructure owned by the Issuer related to the Project Hermes I.

The Pledge over the Material Contracts is non-divisible. As a result, the cancellation (total or partial) of the Pledge over Material Contracts shall not take effect until all of the Secured Obligations have been unconditionally and irrevocably paid in full. The partial payment and

cancellation of said Secured Obligations shall not expire in proportion with the Pledge over Material Contracts.

The Issuer may only try to obtain the cancellation, release and annulment of the Pledge over Material Contracts after paying and unconditionally and irrevocably fulfilling all of the Secured Obligations in their entirety.

The enforcement and cancellation of the Pledge over Material Contracts must always be done collectively through the Commissionaire, and must always comply with the majorities required in the Regulations of the Bondholders' Syndicate.

5.3.4. Pledges on credit rights deriving from the bank accounts of the Issuer's and the Affiliates

As a guarantee of the fulfilment of the Secured Obligations, and regardless of the unlimited personal responsibility of the Issuer pursuant to Article 1911 of the Civil Code, which shall not be deemed limited to any extent because of the creation of the Project Hermes I Security Interests, the Issuer and each one of the Affiliates have respectively granted both first-ranking possessory Pledges over all of the credit rights, both current and in the future, which are derived from the Issuer's and affiliates' accounts, acting through the Commissionaire of the Bondholders' Syndicate, who has accepted such Pledges on behalf of the Bondholders. The aforesaid Pledges shall extend to and include any additional accounts that are opened by the Issuer, and if applicable, by its affiliates, in relation to the Project Hermes I (the "**Pledges over the Accounts**"). The Pledges over Accounts secure all credit rights, inventory and assets that may derive now or in the future from the balance of the pledged accounts, and the interests produced by the outstanding balance therein at any time.

The Pledges over the Accounts are non-divisible. As a result, the cancellation (total or partial) of the Pledges over the Accounts shall not take effect until all of the Secured Obligations have been unconditionally and irrevocably paid in full. The partial payment and cancellation of said Secured Obligations shall not expire in proportion with the Pledges on Accounts.

The Issuer or its Affiliates may only try to obtain the cancellation, release and annulment of the Pledges over the Accounts after paying and unconditionally and irrevocably fulfilling all of the Secured Obligations in their entirety.

The enforcement and cancellation of the Pledges over the Accounts must always be done collectively through the Commissionaire, and must always comply with the majorities required in the Regulations of the Bondholders' Syndicate.

5.3.5. Common provisions of the Pledges

The Pledge over the Issuer's Shares, Pledges over Affiliates' Shares, Pledges over Material Contracts executed up to the date of this document and Pledges over Accounts (the "**Pledges**") have been granted as independent and non-differentiated guarantees, and in this sense, the Secured Parties can, through the Commissionaire, and if applicable, the persons appointed for said purpose at its choice, exercise any of them, in the order that they consider appropriate, or alternatively, together or separately, and the start of enforcement procedures related to a particular security interest shall not limit or condition the start enforcement procedures related to another security interest.

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If only one of the Pledges has been enforced, the Secured Parties shall enforce said Pledge through the Commissionaire, and if applicable, the persons appointed for such purpose, assigning the amounts levied with it to pay for the Secured Obligations, pursuant to the Regulations of the Bondholders' Syndicate.

None of the Secured Parties shall have the right to cancel or release any Pledge, totally or partially, until all of the Secured Obligations have been fully fulfilled and all of the Secured Parties are satisfied.

5.3.6. Promissory chattel mortgage

As a guarantee of the fulfilment of the Secured Obligations, and also regardless of the unlimited personal responsibility of the Issuer pursuant to Article 1911 of the Civil Code, which shall not be deemed limited to any extent because of the creation of the Project Hermes I Security Interests, the Issuer committed on 21 July 2016 to grant in public deed, a chattel mortgage over all of the elements that the Issuer's Infrastructures Network related to the Project Hermes I consists of, on behalf of the Secured Parties, acting through the Commissionaire of the Bondholders' Syndicate, who accepted such right of Pledge on behalf of the Bondholders (the "**Promissory Chattel Mortgage over Infrastructure Network**").

The relevant security interest will be granted by the Issuer in the event that (i) any of the Events of Early Redemption has occurred according to Section VIII.7.; or (ii) the Debt Service Coverage Ratio is below 1.1x, within the maximum period of fifteen (15) business days, from the reception by the Issuer of the Commissionaire's requirement for these purposes once the relevant agreement is adopted by the General Meeting of Bondholders.

All of the costs, expenses and taxes resulting from the creation, and if applicable, registration in the Moveable Property Registry of such chattel mortgage described in this Section shall be at the Issuer's expense.

5.3.7. Additional pledges as security of the Project Hermes I Permitted Indebtedness

The holders of the Bonds, by means of the subscription or the acquisition of the Bonds, acknowledge and accept that the liabilities deriving from each of the agreements whereby the Project Hermes I Permitted Indebtedness that may be incurred by the Issuer in the future is formalized, may be secured in accordance with terms and conditions substantially identical to those set out in the Pledges, and for these purposes an intercreditor agreement will be executed with the creditors of the Project Hermes I Permitted Indebtedness in essentially the same terms as those appended to this Offering Circular as Schedule IV (the "**Intercreditor Agreement**").

5.4. Priority Order

The Issuer's obligations under the Bonds represent senior Secured Obligations that are secured with the Project Hermes I Security Interests. The Bondholders' rights toward the Issuer of the Issuance shall have, (i) at least the same ranking, preferences or privileges as those rights deriving from the senior debt of other future or present creditors of the Issuer, and (ii) better ranking, preferences or privileges as those rights deriving from the subordinate debt and other present or future creditors of the Issuer.

By the simple fact of acquiring the Bonds, the Bondholders waive any other right to a priority order that may be granted by the applicable regulations at any time, regardless of the provisions

set out in the insolvency regulations.

5.5. Issuer's Accounts in relation to the Project Hermes I

5.5.1. Debt Service Reserve Account

The Issuer shall maintain open with Banco Bilbao Vizcaya Argentaria, S.A., during the entire life of the Issuance of the Debt Service Reserve Account, where it will deposit the necessary amounts so that the balance is sufficient, at all times, to pay for the Debt Service corresponding to the following six (6) months.

The funds placed in the Debt Service Reserve Account are exclusively intended for paying the Debt Service, and no other use of these funds is permitted.

In addition, the Issuer must place in each account the proceeds of the sale from any elements that are part of the Owned Infrastructure, which must be placed in this account until these proceeds are allocated to early repayment of the Bonds pursuant to the provisions set out in Section VIII 6.13 of this Offering Circular. In addition, the compensation will be placed in this account from the Insurance Contracts until these proceeds are allocated to compensate for the damages that have occurred.

If a period of one hundred eighty (180) days has passed, or earlier if the Issuer declares to not have the intention to do so, the total amounts received from the Insurer would not have been reinvested, and the part that has not been invested shall be used for the early partial repayment required for the Bonds, as described in section VIII 9.2.

The initial balance of the Debt Service Reserve Account must be adequate at the Bond Disbursement Date.

5.5.2. Operating Reserve Account

The Issuer is committed to provide, throughout the life of the Issuance, a sum of one million euro to provide a constant sum to address the operational corporate needs. The funds placed in the Operating Reserve Account shall be exclusively intended to cover the differences in the balance of the Operating Account, and no other use thereof is permitted.

5.5.3. Operating Account

The Issuer shall keep an Operating Account open with Banco Santander, S.A., during the entire life of the Issuance. The Issuer's operational account is where all charges and payments are centred that are related to the checking activity of the Project Hermes I.

All of the Issuer's Accounts in relation to the Project Hermes I described in this Section 5.5, must be open in one or several Banks of recognised prestige in the Spanish financial system, supervised by the Bank of Spain and that comply with the capital and solvency requirements of the BCE. In the case of any change or reasonable doubt about the solvency or operational capacity thereof, the Commissionaire of the Bondholders' Syndicate, after agreeing with the Meeting of Bondholders, shall request a bank change from the Issuer. The need for said change must be duly credited and in no case shall be up to the judgment of the Commissionaire.

In accordance with the provisions set out in the following Section 6.7, in the case that in the future

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new bank accounts are opened in relation to the Project Hermes I have the prior authorisation from the Bondholders, the Issuer is committed to grant the corresponding top quality Pledges for the credit rights derived therefrom.

The aforesaid collateral debt shall not extend to the rest of the bank accounts open in relation to any other projects other than Hermes I, which the Issuer carries out. Regardless of the forthcoming, the Issuer is committed to not transfer funds between the accounts associated with the Project Hermes I and any other accounts open with regard to any other projects that are being carried out.

6. Issuer Requirements

6.1. Rating

The Issuer has requested and is committed to maintaining, at least during the life of the Bond, a credit rating by an Agency recognised by ESMA (European Securities and Markets Authority) and is required to notify the Commissionaire of the Bondholders' Syndicate of any change to the score, in addition to posting any relevant events in the MARF.

6.2 Pari Passu Range

The Bonds represent senior Secured Obligations that are secured by means of the Project Hermes I Security Interests. The rights of the Bondholders towards the Issuer of the Issuance shall include, at least, the same ranking, preferences or privileges as those rights deriving from the senior debt of other future or present creditors of the Issuer, and a better ranking, preferences or privileges as those rights deriving from shareholders' or subordinate debt that may be granted by other present or future creditors of the Issuer.

In particular, the rights of the Bondholders towards the Issuer deriving from the Issuance will have, at least, the same ranking, preferences or privileges as those rights that may derive in favour of the creditors of the Project Hermes I Permitted Indebtedness (as this term is defined in section 6.5 below), which will be secured by the Project Hermes I Security Interests (as these security interests and guarantees are defined in section 6.5 below).

6.3 Information Requirements

The Issuer must provide the Bondholders, through delivery to the Commissionaire and to the Registered Advisor, with the following accounting information:

- i. Financial statements for auditing at the close of each of the Issuer's financial years, and in any case within the following ninety (90) calendar days, and
- ii. within the sixty (60) following calendar days, or in any case, before 30 October of each year, its unaudited Biannual Intermediate Financial Statements.

The first communication shall be made for the Financial Statements for the second half of 2016. All of the Financial Statements mentioned in this paragraph must reflect the financial information at the company and individual levels, and for both the Issuer and its affiliates.

In addition to the aforesaid accounting information, the results corresponding to the closure of the corresponding financial year, shall be accompanied by a certification issued by the auditor with respect to the following items (the "**Auditor's Certificate**"):

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- i. The Net Financial Indebtedness Ratio/EBITDA and the Ratio (Account at the close of the financial year + Debt Service from the financial year)/Debt Service from the financial year.
- ii. The amount of any additional debt (understood as an increase of the Financial Indebtedness) incurred after 2019 in accordance with the provisions set out in the following Section 6.5, both for the Issuer and for Masmovil Investments, S.L.U. and Masmovil Infrastructures, S.L.U.
- iii. Dividend Distribution by the Issuer.

For declaration purposes, it is hereby stated that the Commissionaire does not assume any responsibility for the authenticity, exactness or correctness of the auditor's certification or other documentation provided by the Issuer.

The Issuer's Financial Statements must be audited in accordance with the applicable legislation by an auditing firm of recognised prestige, which must be one of the following: Deloitte Touche Tohmatsu, PricewaterhouseCoopers, KPMG, Ernst & Young, BDO or Grant Thornton, or the signature resulting from an integration of any of the previous parties or any other that is acceptable to the Bondholders.

In addition, the Issuer must provide the following non-accounting information within a maximum of five business days after the publication of the weekly results.

- i. Biannual Deployment Monitoring Report for the 2017 and 2018 financial years, which reflects the degree of compliance both in developing the Issuer's individual network and with regard to the co-sharing infrastructures agreements with third parties (initially with the Orange), specifying in each case the number of completed real estate units, in addition to the estimated deadline for doing so.

After the deployment and during the rest of the Issuance, the Bondholders must be informed biannually of the operation and status of the network owned (FTTH) and of the non-existence of incidents or impairment that do not facilitate the reasonable functioning thereof.

The Deployment Monitoring Report of the network and later operation and status of the network owned must be done by an independent engineering and verification firm of recognised prestige in the sector, with an accredited track record in the verification of telecommunications networks (FTTH) and among the main firms in Spain and Europe.

- ii. Biannual report complementary to the previous one and referring to incidents that have involved individual claims for sums greater than one million (1,000,000) euro to the insurance entities in relation to the current FTTH network and that is being deployed, but is already underwritten, in addition to its situation with respect to the solution thereof, and in the case of monetary compensation (for repairs for technical services directly subcontracted by the insurance agency) if they have been or are being used to recoup the correct functioning thereof.
- iii. The Biannual Commercial Penetration Ratio will reflect the adjusted number of broadband clients of Masmovil Ibercom, S.A. or its affiliates connected to the Infrastructure Owned by the Issuer, in addition to the percentage deviation of said number with respect to the Business Plan. It shall be considered a client if an order has been received, and the number of clients is the sum of the xDSL and FTTH clients. The previous variable shall be adjusted for the ratio between the deployment effectively achieved on the date of measurement and the one reflected on the

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Business Plan to calculate the adjusted number of broadband clients.

- iv. If there is an increase in the debt by the Issuer after 2019, by virtue of the following stipulation 6.5, it will be necessary for the Issuer to present the corresponding capex report to the Commissionaire before it happens, which shall reflect the need or appropriateness thereof, in addition to accrediting that said Permitted Indebtedness for other Projects will not endanger the Project Hermes I.

All of the previous information will be made available to the Commissionaire.

The Issuer must inform the Registered Auditor and the Commissionaire of the Bondholders' Syndicate of any delay in the payment or failure that has occurred, in addition to the shares that are being carried out, if applicable, to solve it, as soon as it is aware of it. In addition, it must report any non-compliance that is produced from the requirements described in this Section 6.

In addition, the Issuer must report any relevant fact that affects it or that may affect it or that may affect it or the Issuance of the Bonds.

6.4 Limitation of Issuer Activity

The Issuer's activity shall be limited to the possession, development, investment, use and exploitation of telecommunication network infrastructures, whether they are owned or the property of third parties, and whose commercial exploitation will be carried out through marketing agreements reached with third party operators, including Masmovil Ibercom, S.A. with whom at the Issuance Date, there is an exclusive, long-term agreement at market prices.

The destination of the funds obtained with this Issuance of Bonds shall be for carrying out the activity of MASMOVIL BROADBAND, S.A.U., in particular, for financing and carrying out the Project Hermes I exclusively.

In addition, the Issuer is committed to not create or acquire additional affiliates other than the affiliates existing at present.

6.5. Limiting the Indebtedness and Action Plans

Neither the Issuer nor any of the Issuer's Affiliates may incur in any financial indebtedness beyond the maximum amounts deriving from the MASMOVIL BROADBAND Project Bonds July 2016 and from this Issuance (the "**Existing Indebtedness**"), except for the Intragroup Permitted Indebtedness and the Project Hermes I Permitted Indebtedness, until the aforesaid issuances are repaid in full.

"Intragroup Permitted Financial Indebtedness" means the intragroup financial indebtedness previously authorised by the Commissionaire of the Bondholders' Syndicate, which must be justified and limited to the appropriate needs of the treasury of the Affiliates in relation to the development of the Project Hermes I.

"Project Hermes I Financial Indebtedness" means the financial indebtedness (either granted by banks, by entities other than banks, increases of the amount of this Issuance or any other type of financial indebtedness) in which the Issuer may incur and that fulfils all and each of the following requirements:

- a) That the aggregate amount of Existing Indebtedness and the Project Hermes I Financial

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Indebtedness does not exceed in any case the amount of seventy million euro (70,000,000 €), deemed as the maximum nominal amount for issuance of bonds or outstanding commitments for financing, which means that no potential repayments that may occur will be taken into account.

- b) That the purpose of such financing is to provide for supplement funding of the Project Hermes I in addition to the Existing Indebtedness.
- c) That such financing is granted on a non-recourse basis towards the Affiliates.
- d) That such financing is not secured with better security interests and guarantees than the Project Hermes I Security Interests, that is, unsecured or, in case of being secured, the relevant security interests have the same or lower ranking than the Project Hermes I Security Interests (the “**Security Interests for Project Hermes I Financial Indebtedness**”).
- e) That, upon the execution (as the case may be) of the Security Interests for Project Hermes I Financial Indebtedness, an Intercreditor Agreement will be executed in order to regulate the relationship between the Bondholders, as represented by the Commissionaire of the Bondholders’ Syndicate, and those other creditors of the Issuer under the Project Hermes I Financial Indebtedness. No Intercreditor Agreement will be required if the Project Hermes I Financial Indebtedness derives from an increase of the amount of this Issuance.
- f) That the repayment schedule of any indebtedness under the Project Hermes I Financial Indebtedness has repayment dates falling on the same dates or on subsequent dates than the repayment dates that the Issuance provides for.
- g) That the Issuer opens a bank account where the proceeds received as a result of the assumption of the Project Hermes I Financial Indebtedness are to be placed (the “**Special Account**”), so that the proceeds will be only used to fund the Project Hermes I in addition to the financing obtained pursuant to the Issuance.

Notwithstanding the foregoing provisions, from 1 January 2019 the Issuer will be permitted to enter into additional indebtedness other than the Existing Indebtedness and the Project Hermes I Permitted Indebtedness (the “**Permitted Indebtedness for Other Projects**”) up to a maximum of 3.5x the Net Financial Indebtedness/EBITDA (audited ratio) and as long as the destination of the funds is for making new investments (CAPEX) related to the financing of new networks or the development within the framework of other projects other than the Project Hermes I. The Issuer is required to report said projects as established in point (iv) of the previous stipulation 6.3, information that will be provided to the Commissionaire of the Bondholders’ Syndicate.

In addition, in the case that after the aforesaid period (2016-2018) it is shown that there was a non-compliance of the previous ratio of 3.5x DF/EBITDA deriving from an unexpected impairment of the denominator (EBITDA), in addition to the measures to apply that may derive from those established in section 6.10 with respect to the opening of the network to third parties, the Issuer is committed to carry out the necessary actions to restore the ratio. If after one hundred twenty (120) days, the ratio has not been restored, this will cause an early redemption of the Issuance.

6.6. Negative Pledge in relation to the Project Hermes I

As long as the Issuance has not been totally repaid, the Issuer undertakes that neither the Issuer nor any of the Affiliates will create any kind of security interest other than the Project Hermes I Security Interests, except for those security interests and guarantees that must be granted by law. The Security

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Interests for Project Hermes I Financial Indebtedness shall be excluded of the foregoing if they have been granted as collateral for the Project Hermes I Permitted Financial Indebtedness (pursuant to the provisions under section 6.5 above), provided that these security interests and guarantees are granted (i) over the same assets and with the same or lower ranking than the ranking of the Project Hermes I Security Interests, or (ii) if created over assets related to Project Hermes I other than those pledged by virtue of the Project Hermes I Security Interests, security interests are also created over the same assets with the same ranking for the Bondholders' benefit.

Pursuant to the foregoing, this undertaking of not creating additional security interests and guarantees will be limited to those assets related to the Project Hermes I, and the rest of the assets owned by the Issuer may be charged as part of the Permitted Indebtedness for other Projects in relation to the development of any other projects.

6.7. Non-opening of Additional Accounts in relation to Project Hermes I

Undertaking to maintain the accounts as indicated in Section 5.5 and not to open new accounts within the framework of Project Hermes I without the prior consent of the Bondholders through the Commissionaire of the Bondholders' Syndicate. If opening new accounts in accordance with the forthcoming, they must be pledged on behalf of the Bondholders in a maximum period of twenty (20) business days in the same terms as the Issuer's and Affiliates' Accounts.

The aforesaid undertaking to not open accounts shall be limited to the accounts related to Project Hermes I, and opening a Special Account shall be understood to be excluded from said negative undertaking, if applicable. In this regard, the opening of accounts related to any other projects that the Issuer may carry out after 2019 will be excluded from this negative undertaking.

Nevertheless, the Issuer may not transfer funds between the accounts associated with Project Hermes I and any other accounts opened in relation to any other projects.

6.8. Distributions to Shareholders

The Issuer undertakes not to distribute the Net Profit to its shareholders during 2016, 2017 and 2018.

After 2019 (inclusive), and in each one of the following years, no annual distributions of the Net Profit may be made, which, to the extent the Issuance is not repaid in whole, will be subject to the following conditions:

- a) No breach of the Issuer's obligations has occurred or exists, such as those set out in this Section 6;
- b) None of the events of early redemption has occurred, such as those set out in Section 7 below;
- c) The allocation of funds has been made as for the Debt Service Reserve Account and the Operating Reserve Account, as Section 5.5 provides for;
- d) Up to 50% of the Net Profit of the financial year may be distributed, as long as: i) the audited NFI/EBITDA ratio before said distribution is less than or equal to 3x, ii) the effective deployment figure is as low as 75% with respect to the effective deployment plan of reference real estate units set out in the Business Plan, and iii) at least 80% of the number of clients envisaged in the Business Plan have been reached;

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- e) Up to 75% of the Net Profit of the financial year may be distributed, as long as: i) the audited NFI/EBITDA ratio before said distribution is less than or equal to 2x, ii) the effective deployment figure is as low as 90% with respect to the effective deployment plan of reference real estate units envisaged in the Business Plan, and iii) at least 80% of the number of clients established in the Business plan have been reached;
- f) Up to 100% of the Net Profit of the financial year may be distributed, as long as: i) the audited NFI/EBITDA ratio before said distribution is less than or equal to 1x, ii) the effective deployment figure is as low as 100% with respect to the effective deployment plan of reference real estate units set out in the Business Plan, and iii) at least 80% of the number of clients established in the Business plan have been reached;

Both the NFI/EBITDA ratio and the effective deployment figure shall be obtained respectively from the Auditor's Certificate based on the Issuer's Audited Annual Accounts and the Deployment Monitoring Reports from the FTTH network at the closure of the financial year, which the engineering and designated verification company must create, as established in point 5.3, for which the distribution will be carried out. First, obtaining the Auditor's Certificate, on one hand, in addition to the Deployment Monitoring Report; second, as established in the previous stipulation 6.3, is an indispensable previous condition in order to proceed to any distribution under the previous conditions.

6.9. Change of Control

A change of control (the “**Change of Control**”) shall be considered to have taken place under the following conditions: (i) for the Issuer, under the case that at any time after the Date of Issuance, Masmovil Ibercom, S.A. stops providing directly or indirectly more than 50% of the Issuer's voting rights; and (ii) for the MasMovil Group (understood to be the Issuer's shareholder), any time an acquisition occurs after the Date of Issuance by a third party or third parties that act in a coordinated fashion, for more than 50% of the shares with voting rights.

In the case of a Change of Control, each Bondholder may require the Issuer to compensate, or at the Issuer's choice, repurchase (or make the repurchase) all or part of the Bonds at a price equivalent to 100% of the nominal amount, plus interests accrued and not paid until (but excluding) the date on which said repayment or repurchase takes place (the “**Sales Option**”).

Exercising the Sales Option by the Shareholders that represent a percentage equal or greater than 90% of the nominal Issuance Amount shall bind all Bondholders, including those that did not opt for exercising the Sales Option, resulting in the early termination of the Issuance.

In the case of a Change of Control, the Issuer must notify said Change of Control (“**Notice of a Sales Event**”) without unjustified delays and after having knowledge thereof to the Bondholders, specifying the nature of the Change of Control.

In order to carry out the Sales Option, the Bondholder must, within the Sales Period, block those Bond(s) or instruct the Central Registry or Iberclear member to block those Bond(s) and deposit the duly signed and completed order to do so as it was obtained from the Payment Agent (the “**Notice of Sale**”), in which the Bondholder must indicate the bank account to which the payment must be made in the office indicated by the Payment Agent, during working hours on any business day in the city indicated by the Payment Agent.

The Issuer must compensate, or at its own choice, repurchase or make the repurchase of the Bonds corresponding to the last seven (7) days from the finalisation of the Sales Period (the “**Sales Date**”).

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except for those Bonds that have been previously compensated, repurchased or cancelled. Once the Notice of Sale has been sent, it shall be deemed as irrevocable.

For these purposes, the Sales Period shall be understood as ninety (90) days following the Notice of a Sales Event.

6.10. Use of the Infrastructure

At the time of this Issuance, the Issuer has entered into with Masmovil Ibercom, S.A. an Exclusive Marketing Contract with regard to the Operational Infrastructure, whereby Masmovil Ibercom, S.A. and its affiliates will exploit such Operational Infrastructure commercially following its own marketing policies and offering its clients services dependent on said infrastructure.

In the case that, after the first half of 2017 (report issued in late September 2017), the Marketing Penetration Ratio states that the adjusted broadband client figure at the close of the period considered shall present a deficit greater than 20% with respect to the figure that the Business Plan provides for, the Issuer shall be required to look for marketing agreements with any third party operators (including competitors of Masmovil Intercom, S.A.) in order to increase the use of the Operational Infrastructure and must immediately inform the Commissionaire of the Bondholders' Syndicate with respect to the activities that it is carrying out in this sense.

The Issuer shall provide one hundred (180) business days from the communication to the Commissionaire of the aforesaid Report that states that said deficit has occurred, in order to try to formalize marketing agreements with third parties that in all cases must respect the minimum prices by client corresponding to the Marketing Contract. If after said deadline, the deficit hasn't been rebalanced, this will lead to an early redemption of the Issuance.

It shall be Issuer's requirement at all times to maintain marketing agreements with at least an operator (in the initial case and exclusively with Masmovil Ibercom, S.A.) and for a minimum of 50% of the capacity of the Operational Infrastructure.

6.11. Requirement regarding Construction, Maintenance and Conservation of the Owned Infrastructure. Licenses of administrative activity and authorisations

With regard to the Owned Infrastructure, the Issuer is required to contract companies of recognised prestige from the telecommunications network building sector, in both deploying the new network and maintaining it.

An example of companies of recognised prestige are Ericsson, ZTE and Huawei, but others may be appointed that have a recognised track record in the sector and sufficient corporate guarantees and accredited solvency. The contracts with these companies shall demand standards of quality and compliance with the temporary and technical programs (SLA's) and will be in force, at least, until the Issuance has not been totally cancelled.

For the purposes of conserving the networks, the Issuer is required to contract all insurance necessary to cover the events identified as standards in the sector and in order to do so, it shall contract insurance policies with an entity of recognised prestige and that operates in Spain. These policies must be renewed annually, or on the corresponding dates, as long as the Issuance is not totally cancelled and they must maintain the necessary level of coverage appropriate for the security of the infrastructures and any potential events.

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If there are incidents that lead to monetary compensation on behalf of the Issuer (in substitution for a repair for technical services subcontracted directly by the insuring entity), said compensations must be used to repair the damaged elements and proceed to the repair to return to full activity of the infrastructures.

In addition, in case of individual equipment in locations shared with third parties, the Issuer is committed to verify that it has the appropriate insurance.

The Issuer is committed to duly request and conserve all licenses and authorisations that from the administrative and legal point of view are necessary for exercising its activity and for the management or construction of its telecommunication networks.

6.12. Charges pertaining to the Issuer

The Issuer has formalised an Exclusive Marketing Contract, as indicated in the previous Section 6.10 with Masmovil Ibercom, S.A., which establishes that it will receive the amounts determined in said contract for the use of the network, no later than three (3) business days after the day on which Masmovil Ibercom, S.A. charges the duly billed amounts from its clients.

6.13. Sale of Assets

The Issuer is committed to not sell, transmit or assign in any way any element that forms part of the Owned Infrastructures connected to the Project Hermes I.

Regardless of the forthcoming, and under prior authorisation from the Meeting of Bondholders, in case of a total or partial sale, transmission or assignment of any element that is part of the Owned Infrastructure connected to the Project Hermes I, the Issuer is required to apply the product of them to the required early redemption of the Bonds as established in Section VIII.7 of this Offering Circular.

7. Events of early redemption of the Issuance

The Issuer shall be required to notify the Commissionaire of the Bondholders' Syndicate of the occurrence of any event that may result in the early redemption of the Bonds in a maximum period of ten (10) calendar days after the Issuer was made aware of it.

The following events shall result in the early redemption of the Issuance, and therefore, the required early redemption thereof, once this case is adopted in accordance with the General Meeting of Bondholders.

The Bonds will be entirely compensated, that is, one hundred percent of the nominal security at the date of early redemption, plus the interests accrued and not paid until the date of early redemption.

a) Breach of payment obligations

If the Issuer does not pay by the respective deadlines, any amounts owed by virtue of this Issuance, and in particular and without limit, for the principal, interests, fees, expenses or any other sum owed by virtue of this document, without needing to have any previous requirement. The Issuer may not rectify the non-compliance of any payment obligations unless due to an error or administrative problem, in which case, it shall have fifteen (15) business days to rectify it.

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b) Breach of other obligations

If the Issuer or affiliates do not comply with any other covenants assumed by virtue of this Issuance, established in the previous Section 6, and said non-compliance is not rectified within a period of the following thirty (30) calendar days.

c) Cross default

If the Issuer or affiliates does not comply with any expired and required obligations of any kind, assumed with third parties when the amount (individually or as a group, for one or more non-compliances) exceeds 3 million (3,000,000) euro.

d) Denial of audit opinion

The case where (a) the Issuer's consolidated audit reports issued by the auditor have included a “denied” (*denegada*) opinion in accordance with the generally accepted principles in Spain, or (b) the auditor does not issue an opinion about the Issuer's Annual Accounts, due to causes attributable to the Issuer, and that were not rectified within the following thirty (30) business days after the auditor notified the Issuer of its intention not to issue said opinion.

e) Invalidity of Project Hermes I Security Interests

If Project Hermes I Security Interests at any time during the life of the Issuance of the Project Hermes I Security Interests were cancelled or declared null and void, or they were deemed ineffective for any reason.

8. Economic rights that confer the securities, payment dates, financial service of the Issuance

In accordance with the legislation in force, the Bonds mentioned in this Offering Circular lack the voting rights other than those that correspond to the Bondholders' Syndicate set out pursuant to the provisions under Articles 403 and 419 *et seq.* of the Amended and Restated Text of the Law on Corporations approved by Royal Legislative Decree 1/2010 of 2 July (the “**Law on Corporations**”).

The full text of the Regulations of the Bondholders' Syndicate is included in Section “*Representation of the Bondholders*” (Section VIII.10) of this Offering Circular.

The economic and financial rights for the Bondholders are those derived from the conditions of the interest, performance and repayment prices with which it was issued and are collected in the following Section VIII.8.

The financial service of the Bonds shall be taken care of by Banco de Sabadell, S.A. (the “**Agent**”), directly making the payments by the Agent on each payment date in the individual or third party accounts, as applicable, from the entities participating in Iberclear for the corresponding sums, without needing the investors to do any action in relation to the economic rights derived from the securities.

8.1. Type of nominal interest and provisions related to paying interest

8.1.1. Type of nominal interest of the Bonds

The Bonds shall accrue nominal annual interest of 5.75% above the nominal security of the Bonds (the “**Payment**”).

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Payment is accrued daily over the Current/Current ICMA (not adjusted) base and is paid for the expired years, on a yearly basis every 27 July (each one of those dates is a “**Payment Date**”).

The gross interest to receive on each one of the Bond Payment Dates shall be calculated with the following formula:

$$C=N*I* d/Base$$

Where:

C = gross amount of the periodic coupon;

N = nominal of the Bond valid on the immediately previous Payment Date, or if not applicable, on the Disbursement Date;

I = type of annual nominal interest expressed in terms of percentage;

d = days passed between the date of the start of the interest accrual period and the date of payment of the corresponding coupon, where said days are calculated in accordance with the established base and take into account the convention of applicable business days;

Base = Current/Current ICMA (*not adjusted*).

8.1.2. Date, place, entities and procedures for payment of interest

The Disbursement Date took place on 16 March, 2017. The first period of accrual of the payment ends on 26 July 2017, where the first Payment Date of the Bonds is 27 July 2017 and the last Payment Date of the Bonds falls on the final maturity date of the Bonds on 27 July 2024 (the “**Final Maturity Date**”). The Payment Dates of the Bonds shall be on 27 July of each year.

The first interest period of the Bonds issued under this Issuance has a duration shorter than a year and will run from 16 March 2017 to 27 July 2017.

In case any of the Bond Payment Dates coincides with a non-business day, the payment coupon shall be moved to the following business day, without the Bondholders having the right to receive interest for said difference.

For these purposes, a business day shall be understood to be considered as such by the “TARGET2” (Trans-European Automated Real-Time Gross Settlement Express Transfer”) system.

8.1.3. Flowchart of the Issuance

The chart below shows the flows of the Issuance, including the pay-out, coupons, and return of the principal, for the amount and percentage and excluding the bank costs of the transaction.

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Fecha de pago	Periodos	Año	Nominal pendiente	Cuota	Intereses	Principal	N° de títulos	Unitario	% de amortización	Interes en %
16/03/2017	0	2017	38.000.000,00				380	100.000,00		
27/07/2017	1	2017	38.000.000,00	2.185.000,00	2.185.000,00	0,00	380	100.000,00	0%	5,75%
27/07/2018	2	2018	38.000.000,00	2.185.000,00	2.185.000,00	0,00	380	100.000,00	0%	5,75%
27/07/2019	3	2019	38.000.000,00	2.185.000,00	2.185.000,00	0,00	380	100.000,00	0%	5,75%
27/07/2020	4	2020	38.000.000,00	2.185.000,00	2.185.000,00	0,00	380	100.000,00	0%	5,75%
27/07/2021	5	2021	38.000.000,00	2.185.000,00	2.185.000,00	0,00	380	100.000,00	0%	5,75%
27/07/2022	6	2022	25.333.334,60	14.851.665,40	2.185.000,00	12.666.665,40	380	33.333,33	33,33%	5,75%
27/07/2023	7	2023	12.666.669,20	14.123.332,14	1.456.666,74	12.666.665,40	380	33.333,33	33,33%	5,75%
27/07/2024	8	2024	0,00	13.395.002,68	728.333,48	12.666.669,20	380	33.333,34	33,33%	5,75%

9. Repayment of the Bonds - Possibilities and Methods of Early redemption. Final Repayment Date for Issuing Securities

9.1. Ordinary Repayment of the Bonds

9.1.1. Repayment Price

The Bonds shall be completely compensated, one hundred percent of the nominal securities, free of expenses for the owner and payer in three (3) equal repayment quotes, which will coincide with the three (3) last years of life of the Issuance (2022, 2023 and 2024), in accordance with the provisions set out in the previous Section 8.1.3.

9.1.2. Date and Methods of Repayment

The Bonds shall be compensated in three (3) equal repayment sums, which shall coincide with the last three (3) years of life of the Issuance (2022, 2023 and 2024). If the repayment date is not a business day, the payment thereof shall be moved to the immediately following business day, without the signatory having a right to receive interest for said difference.

9.2 Required Partial Early redemption

If the Issuer receives any amount for repaying the Insurance Contracts, it must send the net amount for expenses and taxes for the early redemption of the Shareholders.

The aforesaid requirement for early redemption shall not be applicable under the following circumstances:

- (i) when the repayments must be received by third parties by virtue of the corresponding Civil Liability Insurance Contracts; or
- (ii) when the amount received from the insurance company is intended to repair or replace the asset that has been damaged, as long as the repair or replacement in question is carried out within a period of one hundred eighty (180) days from the date on which the Issuer receives the repayment, or earlier if the Issuer states their intention of doing so.

After one hundred eighty (180) days from the date of repayment without carrying out the repair or replacement indicated in the earlier paragraph, the Issuer is required to carry out the required early redemption of the Bondholders for the net amount of the expenses and taxes corresponding to said repayment on the Bond Payment Date immediately after the limit date on which the aforesaid re-investment should have occurred.

In addition, if after carrying out the expected re-investments a portion is left over, the Issuer must send the full amount of said portion to repay the Bonds early.

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9.3 Required Total Early redemption

As established in section VIII.7 subject to declaration by the Bondholders of the early redemption of the Issuance, the Issuer shall be required to repay the entire pending balance of the Bonds on the Bond Payment Date immediately after said declaration has occurred.

10. Bondholder Representation

The holders of the Bonds described in this Offering Circular have the right to vote in the Meeting of Bondholders.

The Company has appointed the company named “Bondholders, S.L.”, a Spanish limited liability company, with corporate address at Avenida de Francia, 17, A, 1, 46023, Valencia, Spain, and tax identification number B-98604986, as the Commissionaire (*Comisario*) of the Bondholders’ Syndicate to, and Bondholders, S.L. has accepted such appointment.

In accordance with the provisions of article 25 of the Regulations of the Bondholders’ Syndicate of MASMOVIL BROADBAND Project Bonds July 2016, to the extent that this Issuance is fungible with the issuance of MASMOVIL BROADBAND Project Bonds July 2016, the holders of this Issuance will be part of the Bondholders’ Syndicate constituted for the MASMOVIL BROADBAND Project Bonds July 2016.

The text of the Regulations of the Bondholders’ Syndicate for the Issuance of the MASMOVIL BROADBAND Project Bonds July 2016 is the following:

REGULATIONS OF THE BONDHOLDERS’ SYNDICATE IN RELATION TO THE ISSUANCE OF THE MASMOVIL BROADBAND PROJECT BONDS JULY 2016

REGULATIONS

Please find below the regulations for the Bondholders’ Syndicate (the “Bondholders”) as regards the Issuance of MASMOVIL BROADBAND PROJECT BONDS JULY 2016 (the “Bonds”).

TITLE I

INCORPORATION, NAME, PURPOSE, ADDRESS AND TERM OF THE BONDHOLDERS’ SYNDICATE

ARTICLE 1.- INCORPORATION

Subject to the provisions set out in Chapter IV of Royal Legislative Decree 1/2010 of 2 July, which approves the amended and restated text of the Law on Corporations shall be constituted once the Bonds are signed and paid out, a Bondholders’ Syndicate (the “Bondholders”) that make up the Issuance of Bonds approved by MASMOVIL BROADBAND, S.A.U. (“MasMovil” or the “Issuer”) for the issuance named as “MASMOVIL BROADBAND PROJECT BONDS JULY 2016”.

The Syndicate shall be governed by this regulation and by the Law on Corporations and other applicable legal provisions.

ARTICLE 2.- NAME

The Syndicate shall be named “Bondholders’ Syndicate for the Issuance of MASMOVIL

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BROADBAND BONDS JULY 2016

ARTICLE 3.- PURPOSE

The Syndicate shall have the purpose of representing and defending the legitimate interests of the Bondholders against the Issuer, by exercising the rights granted by the laws in force and this regulation in order to exercise them and conserve them collectively and under the representation determined by these regulations.

ARTICLE 4.- ADDRESS

The Syndicate's address is Parque Empresarial Zuatzu, 2 Edificio Caso, 2ª Planta, nº 8, Donostia-San Sebastián (Guipúzcoa).

However, the General Meeting of Bondholders may meet when it considers appropriate in any other place in Spain, expressing such in the summons or in any other place if the General Meeting is celebrated with assistance of all the bondholders (present or duly represented).

ARTICLE 5.- TERM

The Syndicate shall be in force until the Bondholders are fully repaid of any credit rights deriving from principal, interests or any other amount owed under the Bonds, or when all the Bonds are fully repaid pursuant to the terms and conditions of the Issuance of the Bonds.

TITLE II SYNDICATE'S RULES

ARTICLE 6.- SYNDICATE'S BODIES

The governance of the Syndicate shall correspond to:

- a) The General Meeting of Bondholders (the “**General Meeting**”).*
- b) The Commissionaire (in Spanish, Comisario) of the General Meeting of Bondholders (the “**Commissionaire**”).*

ARTICLE 7.- LEGAL NATURE

The General Meeting, when duly convened and constituted, is the body for free expression of the Bondholders, subject to these regulations, and its decisions will be binding upon all Bondholders in the manner that law provides for.

ARTICLE 8.- RIGHT TO CALL A GENERAL MEETING OF BONDHOLDERS

The General Meeting shall be convened by the Board of Directors of the Issuer or by the Commissionaire, whenever one of them deems it necessary.

However, the Commissionaire must call the meeting reliably in writing upon request, expressing the purpose of the meeting, as well as the points of the order of the day, Bondholders represented, and at least, (i) the twentieth part of the total Issuance Amount that is not repaid or (ii) the minimum provided

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for under applicable laws. In this case, the General Meeting must convene to be held within the forty-five (45) days following the one on which the Commissionaire had received the valid request for said purpose.

ARTICLE 9.- FORMALITIES TO CALL A GENERAL MEETING OF BONDHOLDERS

The calling for the General Meeting shall be made at least (i) fifteen (15) days before the date set for it to be held, or (ii) with the minimum period provided for under applicable laws by means of (a) announcement on the Issuer's website and announced on MARF, or (b) announcement on the Official Gazette of the Companies Registry or in a nationally distributed newspaper, or (c) notice to the Bondholders in accordance with the terms and conditions of the Bonds.

The deadline shall be calculated after the date of publishing the announcement or the date on which the announcement was sent to the last bondholder, depending on how the calling of the meeting was made. Neither the day of posting the announcement, nor the day on which the notice of the calling was made, nor the day on which the bondholders' meeting will be held will be counted on..

In any case, the announcement shall express the name of the company and Syndicate, the place and date of the meeting, both the first and second summons, where there must be at least 24 hours between them, the issues to be addressed and the form of accrediting Bond ownership to have the right to attend the General Meeting.

However, the General Meeting shall be understood to be convened and validly constituted to handle any matter of the competency of the Syndicate, as long as the Bondholders of all Bonds in circulation are present and duly represented and the attendees unanimously accept the celebration of the Meeting and the agenda.

ARTICLE 10.- RIGHT TO ATTEND

Those who have been Bondholders for at least five (5) days prior to the meeting shall have the right to attend the General Meeting.

The Issuer Consultants and the Payment Agent of the Bond Issuance shall have the right to attend the General Meeting even if they have not been summoned.

ARTICLE 11.- RIGHT TO REPRESENTATION

All Bondholders that have the right to attend the General Meeting may be represented by another bondholder. In addition, any Bondholder with the right to attend, shall also have the right, in case of not being able to delegate their representation to another bondholder, to be represented by another Commissionaire, although in no case can they be represented by the administrators of the company, even if they are bondholders. Representation must be granted in writing and with special character for the General Meeting.

ARTICLE 12.- ADOPTING AGREEMENTS

The General Meeting shall adopt the agreements by absolute majority of the votes issued.

As an exception, the modifications of the deadline or the reimbursement conditions of the nominal security will require the favourable vote of the two thirds of the bonds in circulation, and therefore, for these purposes, attendance of at least two thirds of the bonds in circulation shall be required for the

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valid incorporation of the Board.

Notwithstanding the foregoing, the shareholders required changing (i) the content of any of the contractual rules agreed to in the Intercreditor Agreement, (ii) any terms set out in the Finance Agreements (such as this term defined in the Intercreditor Agreement) that changes the range of pari passu rules between them, (iii) any of the Project Hermes I Security Interests and the Project Hermes I Permitted Indebtedness Guarantees (except for those changes that have an eminently formal nature or the rectification of defects appreciated in the documents initially granted) by virtue of the Finance Agreements, in addition to declaring the early redemption of the Finance Agreements and the enforcement of Project Hermes I Security Interests and the Project Hermes I Permitted Indebtedness Guarantees shall be those set forth in the Intercreditor Agreement.

ARTICLE 13.- RIGHT TO VOTE

In the General Meeting meetings, the right to vote will be conferred for each nominal amount of Bonds equal to 100,000 euro, or the nominal security not compensated that is present or represented. In any case, if applicable to the corresponding summons of the Bondholders' Meeting, the vote may be exercised through remote means of communication, including post or technological means, as long as (a) the identity of the Bondholder who exercises the right to vote is properly guaranteed, and (b) the Bondholder is registered in some sort of support.

ARTICLE 14.- CHAIRMAN OF THE GENERAL MEETING

The General Meeting shall be chaired by the Commissionaire, or if applicable, the person that the General Meeting of Bondholders appoints, who will direct the debates, deem discussions finished when appropriate and shall put the issues up for vote. In addition, the attendees may appoint, if applicable, a person who will act as secretary of the Meeting.

ARTICLE 15.- ATTENDANCE LIST

The Commissionaire shall draw up, before starting to discuss the agenda, a list of the attendees, expressing the character and representation of each one and the outstanding balance of the Bonds owned or represented by each attendee.

ARTICLE 16.- POWERS OF THE GENERAL MEETING

The General Meeting may agree to whatever is necessary for the best defence of the legitimate interests thereof against the Issuer; modify, in accordance with the Issuer, the terms and conditions of the Bonds, and said modifications may be essential or non-essential; terminate or nominate a Commissionaire; exercise, when applicable, the corresponding legal assets and approve the expenses caused by defending the interests of the Bondholders.

In addition, the General Meeting, acting through the Commissionaire, shall be empowered to start executing the security interests and guarantees that are granted on behalf of the Bonds (the "Security Interests"), pursuant to the terms and conditions of the Bonds and such Security Interests.

ARTICLE 17.- CHALLENGING THE DECISIONS

The decisions made by the General Meeting may be challenged by the Bondholders pursuant to the provisions set out in the Law on Corporations for challenging business decisions.

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ARTICLE 18.- MINUTES

The minutes of the meeting must be approved by the General Meeting itself, immediately after it is held, or if not applicable, within a period of fifteen (15) days by the Commissionaire and at least one Bondholder appointed or this purpose by the General Meeting.

ARTICLE 19.- CERTIFICATIONS

The certifications of the minutes shall be issued by the Commissionaire.

ARTICLE 20.- INDIVIDUAL EXERCISE OF ACTIONS

Bondholders may only individually exercise legal or extrajudicial actions that correspond when they do not contradict the previously adopted agreements by the Syndicate, within its competency and that are compatible with the powers conferred thereupon.

In accordance with the forthcoming, Bondholders may only carry out individual actions for executing the guarantees when they do not contradict the previously adopted agreements by the Syndicate, within its competency and in accordance with Article 429 of the Law on Corporations, and that are compatible with the terms and conditions of the corresponding guarantee.

TITLE III OF THE COMMISSIONAIRE

ARTICLE 21.- LEGAL NATURE OF THE COMMISSIONAIRE

It is up to the Commissionaire to provide legal representation for the Syndicate and act as a liaison between the Syndicate and the Issuer.

ARTICLE 22.- APPOINTMENT AND TERM

The Issuer appoints Bondholders, S.L as the Commissionaire, regardless of the General Meeting being able to designate another person it considers appropriate. Retribution of the Commissionaire shall be established by the Issuer.

The ordinary costs derived from the functioning of the Syndicate shall be the responsibility of the Issuer without it in any case being able to exceed the maximum legal limit of 2% of the annual Bond interests. Said ordinary expenses shall include those incurred by the Syndicate as a result of the ordinary functioning, including the Commissionaire's fees.

These ordinary expenses, which shall be approved annually by the Bondholders' Meeting, shall be communicated to the Issuer, who must maintain, in a special account available to the Syndicate, with sufficient prior notice, an amount sufficient to approximately cover said expenses, always within the aforesaid limit of 2%, authorising the availability of said account of the amounts that are duly justified.

Any extraordinary expenses for the Syndicate, such as travel expenses, visits, official requests, etc., from the Commissionaire or from the person designated for said purpose, shall be at the expense in all cases of the Issuer and shall not be understood to be included in the aforesaid limit of 2% set forth in the Law on Corporations for ordinary expenses.

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ARTICLE 23.- POWERS

The Commissionaire will have the power to:

- 1. Defend the common interests of the Bondholders;*
- 2. Call and be the chairman, as applicable, of the General Meetings;*
- 3. Inform the Issuer of the Syndicate's agreements;*
- 4. Carry out all actions that are expected to carry out or that could be carried out by the Commissionaire pursuant to the terms and conditions of the Bonds;*
- 5. Monitor the repayment of principal amounts and payment of interest;*
- 6. Execute and implement the decisions agreed by the General Meeting;*
- 7. Exercise the actions that correspond against the Issuer, directors, liquidators and affiliates;*
- 8. Accept on behalf of the Bondholders any guarantee, including security interests granted on their behalf and sign any other public or private documents related to said security interests and guarantees that are necessary; and*
- 9. Grant, on behalf of the Bondholders, the Intercreditor Agreement with any creditors that were to be formalized in Hermes I Permitted Indebtedness Project Security Interests, and signing any other public or private documents related to the previous Intercreditor Agreement that are necessary for those purposes.*
- 10. In general, those security interests conferred by law and these regulations.*

TITLE IV SPECIAL PROVISIONS

ARTICLE 24.- EXTENDING THE PLEDGES TO SECURE THE PROJECT HERMES I PERMITTED INDEBTEDNESS

By undersigning or acquiring the Bonds, the Bondholders acknowledge and accept that the obligations deriving from each one of the contracts by virtue of which the Project Hermes I Permitted Indebtedness is formalized that the Issuer may execute in the future may be secured and guaranteed under the terms and conditions substantially identical to those set out in the Pledges.

For these purposes, the Commissionaire of the Bondholders' Syndicate has the power to grant, in the name and on behalf of the Bondholders, any documents by virtue of which the Project Hermes I Permitted Indebtedness Guarantees are created under the terms set forth in the Intercreditor Agreement, and sign any other public or private documents related to the foregoing that may be necessary for those purposes.

ARTICLE 25. FUNGIBILITY WITH OTHER BOND ISSUANCES

This Issuance may be mutually substituted with other bond issuances from the Issuer that provide its

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fungibility with this or other issuances. The issuances that were mutually substituted with this Issuance would benefit from all of the security interests and guarantees that secure the Bonds under this Issuance and the owners that will be members of this Bondholders' Syndicate of this Issuance.

ARTICLE 26.- APPLICABLE JURISDICTION

For any questions that derive from this regulation, the Bondholders, by the simple fact of being Bondholders, are subjected, with express renunciation of their own jurisdiction, to Spanish law and the jurisdiction of the Courts and Tribunals of the City of Madrid.

By subscribing a Bond, its owner automatically becomes a member of the Syndicate. The provisions related to the Syndicate's meetings are contained in the regulations in accordance with the foregoing regulations.

11. Commitment to Liquidity

There is no commitment to liquidity.

12. Form of representation through book entries and express appointment of the company in charge of book-entry records, along with its participating entities

12.1. Representation through book entries

In accordance with the provisions set out in Royal Decree 878/2015 of 2 October and in Article 8.3. of the amended and restated text of the Securities Market Law regarding compensation, liquidation and recording negotiable securities represented through book entries, for the legal regime of the central securities deposits and central counterparts and regarding transparency requirements of the issuers of securities acceptable for trading on an official secondary market, subject to the provisions set out in the Second Additional Provision and the Seventh Final Provision, name, number of units, nominal security and other characteristics and conditions of the Issuance of Bonds that are represented by book entries is the one that is included in the Issuance Document.

The entity in charge of registering book entries and clearing and settlement is the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (Iberclear), with corporate address in Madrid, Plaza de la Lealtad, 1 and its participating entities.

The Payment Agent is in charge of liquidating the operation at Iberclear and for delivering the Bonds (represented in book entries) to the investor(s) to which the entity(ies) appoint by following the delivery against payment method. The Bondholders that do not have direct or indirectly through custody an account of participants at Iberclear, they can participate in the Bonds through bridge accounts maintained by Euroclear Bank SA/N.V. ("Euroclear") and Clearstream Banking, limited liability company, Luxembourg ("Clearstream Luxembourg") with Iberclear.

12.2. Restrictions Regarding the Free Transfer of Securities

According to the legislation in force, there are no specific or general restrictions for the free transfer of securities, regardless of the limitations that may result from the applicable regulations in the countries where the Issuance will be carried out and those derived from the Multilateral Trading System.

In accordance with the second ruling under MARF Circular Letter 1/2015 of 30 September regarding

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the admission (*incorporación*) and exclusion of securities on the Alternative Fixed-Income Market, the Bonds are exclusively directed to qualified investors. The definition of qualified investors and professional clients is stated in Article 39 of Royal Decree 1310/2005 of 4 November, which forms part of the Securities Market Law as regards the acceptance of trading securities on official secondary markets, public securities offerings, subscription, and the prospectus required for said purposes.

The Bonds may be freely transferred by any means permitted by law and in accordance with the regulations issued by MARF, where these securities will be admitted to trading. Ownership of each Bond will be transmitted by book transfer (*transferencia contable*). Registering the transfer on behalf of the acquiring party in the book-entry registry will have the same effects as the transfer (*traditio*) of securities titles and from that time, the transfer will be effective against third parties.

13. Applicable Legislation

13.1. Applicable Legislation

The securities are issued in accordance with the Spanish legislation that applies to the Issuer or to the securities. Particularly, the securities are issued in accordance with the provisions of Royal Legislative Decree 4/2015 of 23 October that approves the Amended and Restated Text of the Securities Market Law (the “**Securities Market Law**”), in accordance with the Law on Corporations (which amended and restated text was approved pursuant to Royal Legislative Decree 1/2010 of 2 July), and in accordance with other applicable regulations that develop the aforesaid laws.

13.2. Decisions, authorisations and approvals by virtue of which the securities are issued

The decisions and agreements from the Issuer pursuant to which this Issuance is made are the Sole Director's decisions dated 7 March 2017.

14. ADMISSION OF THE SECURITIES TO TRADING

1. Request for admission (*incorporación*) of the securities to trading on the Alternative Fixed-Income Market. Deadlines for Admission

Admission (*incorporación*) in Spanish to trading will be requested for the securities described in this Offering Circular of Admission to Trading on the Multilateral Trading System known as Alternative Fixed-Income Market. Such admission to trading shall take place within the thirty (30) days following the Disbursement Date.

In case of not complying with said deadline, the reasons for delay shall be communicated to MARF and the reasons for delay shall be made public in a nationally distributed newspaper, regardless of the Issuer's eventual contractual liability.

MARF adopts the legal structure of a multilateral trading system (SMN) under the terms that Articles 317 *et seq.* of the LMV provide for, constituting an unofficial alternative market for trading Fixed-Income securities.

Specifically, the funds will be allocated to the Issuer's ordinary course of business pursuant to Section VIII.6.4.

This Offering Circular on the eventual admission of Mid- and Long-term securities to trading

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includes the information required by Annex 1-B of MARF Circular Letter 1/2015.

Neither the Management Company (*Sociedad Rectora*) of MARF, nor the National Securities Market Commission, nor the Joint Bookrunners have approved or made any type of verification or check with regard to the contents of this Offering Circular of Incorporation of the Audited Annual Accounts submitted by the Company and the Credit and Risk Issuance Assessment Report required by MARF Circular Letter 1/2015, without participation of the Management Company (*Sociedad Rectora*) of MARF assuming a statement or recognition of the complete, comprehensive and coherent character of the information contained in the documentation provided by the Issuer.

The investor is advised to fully and carefully read this Offering Circular of Incorporation prior to any investment decision related to traded securities.

The Issuer expressly declares to be aware of the requirements and conditions that are required for the admission, permanence and exclusion to trading of the securities on MARF, according to the legislation in force and the requirements of management companies, accepting compliance therewith.

The Issuer expressly declares to be aware of the requirements for the registration and liquidation at Iberclear. The liquidation of the operations will be carried out through Iberclear.

2. Costs of all legal, financial and auditing assessment services and others for the Issuer and placement costs, and underwriting if applicable, caused by the Issuance, placement and admission to trading of the securities

The costs of issuance and admission to trading of the Bonds on MARF amount to an approximate total of 700,000 euro.

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X. INFORMATION FROM THIRD PARTIES, EXPERT STATEMENTS AND STATEMENTS OF INTEREST

No statement or report attributed to an expert is included in the Offering Circular. No statement or report attributed to a third party is included in the Offering Circular.

XI. DOCUMENTS AVAILABLE FOR CONSULTATION

MASMOVIL BROADBAND declares that the following documents may be inspected (or copies thereof) during the period of validity of the Offering Circular:

- a) The by-laws of the Issuer may be consulted in the Companies Registry of Madrid.
- b) The Issuer's historical financial information for the financial year that precedes the publication of the Offering Circular may be consulted in Annexes II and III of this Offering Circular.

Responsible for the Offering Circular

Signed Mr. Meinrad Spenger
Authorised individual representing the Company's Sole Director

MASMOVIL BROADBAND, S.A.U.

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SCHEDULE I. DEFINED TERMS

For the purposes of this Offering Circular shall be understood as the following defined terms shall have the meaning assigned:

“Co-sharing Agreement with Orange”: means the co-sharing agreements related to the individual network of Orange in the telecommunications sector and the individual MASMOVIL BROADBAND network.

“Payment Agent” or **“Agent”**: means BANCO DE SABADELL, S.A.

“Registered Advisor”: means INTERMONEY VALORES, Sociedad de Valores, S.A. or Intermoney Valores SV, S.A.

“Auditor”: means KPMG, S.L. or any other account auditing firm of international recognised prestige appointed by the Issuer and previously reported to the Commissionaire.

“Net Profit”: means, with regard to the Issuer and in compliance with the Consolidated Annual Accounts, the Result attributed to the dominant company.

“Bondholders”: means all of the Bondholders who sign the issuance.

“Bonds”: means all of the Bonds that are the subject-matter of this Offering Circular.

“Cash”: means cash and cash equivalents (cash, bank deposits and other liquid investments to be liquidated in a period of no more than T +3).

“CAPEX”: means any capital expenditures related to the productive capacity and profitability of the assets of the Issuer and any of its Affiliates.

“Auditor Certificate”: means the certification issued by the Auditor with respect to the elements described in section VIII.6.3.

“Ratio Compliance Certificate”: means the document issued annually by the Auditor that the Issuer will deliver to the Commissionaire with the Financial Statements and which will show the value of the ratios set forth in the document that results from these audited Financial Statements.

“MARF Circular Letter 1/2015”: means the Circular Letter 1/2015 issued by MARF on 30 September 2015 regarding the admission and exclusion to trading of securities on the Alternative Fixed-Income Market.

“Commissionaire”: means the Commissionaire of the Bondholders’ Syndicate pursuant to the Law on Corporations and the regulations developing such Law.

“Exclusive Marketing Contract”: means the exclusive marketing contract currently signed with several companies of the MasMovil Group.

“Agreement for the Creation of Security Interests”: means the contracts signed by the Issuer and/or the Affiliates, as applicable, with the Commissionaire on behalf of the Bondholders by virtue of which the Project Hermes I Security Interests are formalised.

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“Insurance Contracts”: mean the insurance contracts associated with the FTTH network, including the indemnity amounts that may correspond to the recovery of the correct activity of said assets.

“Material Contracts”: means the Exclusive Marketing Contract, in addition to those other contracts that may be signed in the future that are related to the Project Hermes I and those that may result from the credit rights in favour of the Issuer, including, among others, the FTTH network building contracts, FTTH network maintenance contracts, Insurance Contracts, marketing contracts that may have been established with third parties in case of opening the network, both to third parties in the case of covenants, as well as those derived from a corporate decision that contributes to improving the Issuer's results.

“Operating Reserve Account”: means IBAN number ES09 2038 2831 6160 00214730 open in the Issuer's name at Bankia, S.A., as this account may be replaced, renewed, re-designated or renumbered from time to time.

“Debt Service Reserve Account”: means IBAN number ES05 0182 4572 4602 01535253 open in the Issuer's name at Banco Bilbao Vizcaya Argentaria, S.A., as this account may be replaced, renewed, re-designated or renumbered from time to time.

“Operating Account”: means IBAN number ES77 0049 2891 3129 14130138 open under the Issuer's name as Banco Santander, S.A., as this account may be replaced, renewed, re-designated or renumbered from time to time.

“Issuer's Accounts”: means the Operating Reserve Account, the Debt Service Reserve Account, the Operating Account, and any other bank accounts owned by the Issuer opened in relation to the Project Hermes I.

“Affiliates Accounts”: mean the bank accounts owned by the Issuer's Affiliates, identified below, in addition to any others that may be open in the future in relation to the Project Hermes I.

(i) Account Number IBAN ES42 0049 2891 30 2814130898 opened in Masmovil Investments, S.L.U.'s name at Banco Santander, S.A., as this account may be replaced, renewed, re-designated or renumbered from time to time.

(ii) Account Number IBAN ES46 2038 2831 68 6000215273 opened in Masmovil Infrastructures, S.L.U.'s name at Bankia, S.A., as this account may be replaced, renewed, re-designated or renumbered from time to time.

(iii) Account Number IBAN ES64 0049 2891 31 2714130146 opened in Masmovil Infrastructures, S.L.U.'s name at Banco Santander, S.A., as this account may be replaced, renewed, re-designated or renumbered from time to time.

“Financial Indebtedness”: means (i) the total amount pending payment at any time registered in the Consolidated Annual Accounts (from the Issuer and all of its present and future Affiliates) for all items due by virtue of the Bonds; plus (ii) any other debt or financial obligation, within the consolidated balance, which has a financial cost (except for debts without recourse to the Issuer). For clarification, if there are accounting standard changes that imply changes to recognising financial debt, these changes shall not be taken into account for the purpose of calculating financial debt, and the accounting standard in force at the date of signing the contract shall prevail.

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“Net Financial Indebtedness (NFI)”: means the Financial Indebtedness on 31 December of each financial year closed minus the consolidated parts reflected in part titled “Cash and Other Similar Liquid Assets”. Section “Cash and Other Similar Liquid Assets” considers temporary financial investments and other immediate liquid assets and without possible restrictions made by third parties, including quoted shares, short-term deposits, bonds, obligations, and other assets represented as debt. Accounts put up for collateral, third party credits, collateral deposits, relatively illiquid quoted investment funds compared to the number of participants, and relatively illiquid quoted shares based on the average volume of stock trading, reserve funds, fund restricted for projects and has no financial debt. It shall not be considered liquid for the purposes of deducting the sums available in policies and credit lines from the financial indebtedness.

“Business Days” and individually, each one is a **“Business Day”**: means any day of the week, except for (a) Saturdays and holidays established as such by the official calendar of Madrid; and (b) holidays set as such in the TARGET2 (Trans-European Automated Real-Time Gross Settlement Express Transfer System) payment system calendar.

“Calendar Days” and individually each one is a **“Calendar Day”**: means all days of the Gregorian calendar.

“TARGET2 Days” and individually each one is a **“TARGET2 Day”**: means the days in which it is not closed, and therefore, the Trans-European Automated Real-Time Gross-Settlement Express Transfer System 2 (TARGET2) is operating.

“Distributions”: means any distribution or payment in money or any way carried out by the Issuer to its shareholders to distribute dividends or distribute reserves, reductions of share capital, returns of share premiums, payment of the principal, interests and/or fees under the Subordinate Indebtedness.

“Finance Documents”: means, as a whole, the following documents (including their respective schedules and annexes):

- (a) the Private Issuance Document;
- (b) the Agreement for the Creation of Security Interests;
- (c) the Agency Contract;
- (d) the Placement Contract;
- (e) any other contract that is designated as a “Finance Document” by the Bondholders and the Agent.

“EBITDA”: means the operational result on 31 December of each financial year, with respect to the Issuer and in accordance with its Consolidated Annual Accounts (calculated in accordance with the accounting standards currently applicable in Spain) plus the amounts for the depreciations of the material and non-material assets (as long as said amounts were previously deducted to calculate the operational result), specifically excluding wear and tear and the result of selling assets.

“Issuer”: means MASMOVIL BROADBAND, S.A.U.

“Existing Indebtedness”: means the indebtedness assumed by virtue of this Issuance and the indebtedness assumed under the MASMOVIL BROADBAND S.A.U. Bond July 2016.

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“Project Hermes I Permitted Indebtedness”: means the indebtedness incurred by the Issuer in accordance with the provisions set out in section VIII.6.5.

“Permitted Indebtedness for other Projects”: means the debt that may be incurred by the Issuer in accordance with the provisions set out in section VIII.6.5.

“Financial Statements”: means the Report, Balance Sheet, Profits and Losses Account and also the net change in the net worth and the state of cash flow of the Issuer corresponding to each financial year, properly audited by the relevant Auditor.

“Issuance Date”: means 10 March 2017.

“Disbursement Date”: means 16 March 2017.

“Bond Payment Date”: means 27 July of each year.

“Final Maturity Date”: 27 July 2024.

“Affiliates”: means Masmovil Infrastructures, S.L.U. (remedies xDSL) and Masmovil Investments, S.L.U.

“Project Hermes I Security Interests”: means all of the following together: (i) Pledge over the shares in the Issuer; (ii) Pledge over the shares in the Affiliates; (iii) Pledge over Material Contracts; (iv) Pledges over Bank Accounts; and (v) Promissory Chattel Mortgage over the Infrastructure Network, as indicated in Section VIII.5.3.

“Manager”: means MASMOVIL BROADBAND, S.A.U.

“MasMovil Group”: means the Grupo Masmovil, which parent company is Masmovil Ibercom, S.A., which includes all of the subsidiary companies in accordance with Article 42 of the Spanish Code of Commerce.

“Issuance Amount”: means thirty-eight million euro (38,000,000 €).

“Deployment Monitoring Report”: means the report that is issued half-yearly for the 2017 and 2018 financial years, which shows the degree of compliance both in developing the Issuer's individual network and with regard to the co-sharing agreements with third parties (initially with Orange), specifying in each case the number of completed real estate units, in addition to the estimated deadline for doing so.

“Owned Infrastructure”: refers to any time during the life of the Issuance to the FTTH network or broadband technology similar to the property of the Issuer or any of its Affiliates.

“Operational Infrastructure”: refers to any time during the life of the Issuance when: (i) the FTTH network owned by the Issuer or any of its Affiliates; (ii) the FTTH network owned by third parties about the Issuer's network or the network of any of its Affiliates that it may have the right to; and (iii) the ADSL network, property of third parties to which the Issuer or any of its Affiliates may have access, exclusively or not.

“MARF” or “Market”: means the Alternative Fixed-Income Market.

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“Parent Company”: means MasMovil Ibercom, S.A., ultimate owner of the shares representing 100% of the Issuer's share capital as described in the shareholding structure included in section 3 (*Corporate Structure*) of section II. (SUMMARY).

“Business Plan”: means the combination of the deployment plan in effect for the real estate units and the number of clients established in the Axesor Report on 1 March 2016 and its confirmation dated 10 February 2017.

“Interest Period”: means each period of one (1) year in which, for the purposes of calculation and settlement of interests, the period of time from the Issuance Date to the Final Maturity Date. The first interest period for the Bonds issued under this Issuance shall have a duration shorter than a year and will run from 16 March 2017 to 27 July 2017.

“Project Hermes I” means the project that is sustained based on the creation of the infrastructure subsidiary of the MasMovil Group following the acquisition of assets from the remedies of the Orange/Jazztel transaction, in addition to the co-sharing agreements related to the network owned by Orange and the direct investment of the subsidiary in the FTTH fibre (individual network of MASMOVIL BROADBAND), and especially, it refers to financing through a project bond, with a medium term maturity and that will collateralized by the creation of security interests over the aforesaid assets, already in the balance sheet of the infrastructures subsidiary, plus those that are obtained from converting the issuance funds into assets.

“Net Financial Indebtedness Ratio / EBITDA”: means the result of dividing the Net Financial Indebtedness (NFI) between EBITDA.

“Ratio of Cash/ Debt Service”: means the result of dividing the Cash between the Debt Service corresponding to the next twelve (12) months.

“Debt Service Coverage Ratio”: means the result of dividing the sum of the Funds at the close of the financial year plus the Debt Service from the financial year, between the Indebtedness service of the Financial Year.

“Issuer's Infrastructure Network”: means the Infrastructure Networks resulting from the remedies and the future networks from the individual development and the co-sharing agreements.

“Debt Service”: means the sum, for a specific period, of the payments for regular repayments of principal and ordinary interests and default interest, as the case may be, corresponding to the Bonds.

“Events of Early Redemption” means any of the events that Section VIII.7. of this Offering Circular provides for.

“UII” or **“BU”** means real estate units.

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SCHEDULE II. INDIVIDUAL MASMOVIL BROADBAND AUDITED ANNUAL ACCOUNTS FROM 2015 FINANCIAL YEAR

SCHEDULE III. CONSOLIDATED MASMOVIL BROADBAND AUDITED ANNUAL ACCOUNTS FROM 2015 FINANCIAL YEAR

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ISSUER

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