



Virgin telco, with more than 122,000 customers, posts over Euros 15 million in revenue

The Euskaltel Group achieves a new customer record, revenue is up 1.5% and EBITDA grows again in Q2

- *The Euskaltel Group posts solid Q2 results, with growth in its main operating indicators for customers and revenue.*
- *The Group's revenue is up 1.5% on the previous year, standing at Euros 174.3 million, based mainly on Virgin telco's growth and good performance in traditional markets.*
- *Virgin telco continues to exceed all expectations in its first year in the market: over 122,000 customers - 98,000 landline and 24,000 mobile -, Euros 15.2 million in revenue for the Group and continued growth in services and revenue per customer.*
- *Solid customer base growth. The Euskaltel Group beats its record of 863,000 mass market customers, with over 80,000 new customers in one year, up 10.3% on Q2 2020, reflecting the strength of the Group's high-value customer base. This growth is in both the landline and mobile phone customer bases.*
- *By segment, mobile telecommunications has seen the greatest growth in Q2 2021 compared to 2020 with 171,000 new service contracts, followed by ultra-fast broadband with 82,000 more service contracts than in June 2020. 7,000 new TV subscriptions. Landline services have grown again in the last two quarters.*
- *The number of high-value product and service subscriptions in the homes of Euskaltel Group customers now stands at a record high of over 3.13 million. The portfolio of high added-value customers on 3P and 4P contracts continues to reflect the industry's highest levels, showing its strength with an average 3.63 products per user.*
- *The Business market sees the biggest revenue jump on record, with a notable increase of 6% compared to the first half of last year, up to Euros 61.2 million.*
- *The Euskaltel Group's fibre optic network currently provides coverage to 24.5 million homes across Spain –6 million more in the past year–, driving Virgin telco's rapid growth in the market.*

- ***The cable-to-FTTH network upgrade plan at Euskaltel, R and Telecable, which began in Q1, has picked up pace and now covers over 340,000 homes in more than 100 municipalities in the Basque Country, Galicia and Asturias markets. In the first half of the year, 11,000 customer homes were migrated to the new Fibra Max product.***
- ***EBITDA is back on the path of growth in Q2, up 1.2% to Euros 73.9 million, driven by good performance in the traditional business.***
- ***The Euskaltel Group's profitable growth strategy has proved successful, with solid growth in both customer base and revenue. It has also successfully driven forward its national expansion with the Virgin telco brand and has pushed on with the process to upgrade the cable network to FTTH while maintaining strong shareholder remuneration through the dividends paid. The company's financial position at the end of the first half of the year is solid.***
- ***The cable-to-fibre network upgrade project has led to accelerated depreciation of Euros 13 million in cable assets in the quarter. Excluding this effect, the company would have generated over Euros 6 million in net profit in the quarter which, added to the Euros 7 million in Q1, give net adjusted profit of Euros 13.4 million in the first half of the year.***

27 July 2021. The Euskaltel Group –comprising the Euskaltel, R, Telecable and Virgin telco brands– published its Q2 2021 results this afternoon, which consolidate growth in its key operating indicators, with a significant increase in the Group's customer base exceeding the record figures seen in recent quarters, revenue growth of 1.5% compared to the previous year and an upturn in EBITDA growth this quarter.

In Q2 2021, the Euskaltel Group has consolidated its solid customer base growth, hitting a new record of 863,000 mass market customers, an increase of 10.3% compared to those registered in Q2 2020. This growth is in both the landline and mobile phone customer base, reflecting the strength of the high-value customer portfolio.

The successful penetration of the Group's national brand - Virgin telco - and the consolidation of its traditional brands - Euskaltel, R and Telecable - in their regions, have contributed to this solid growth. The Group's national expansion project with the Virgin telco brand, launched at the height of the pandemic on 20 May 2020, is exceeding initial forecasts month on month, confirming the success of its strategic plan. In its first year, Virgin telco continues to exceed all expectations: over 122,000 customers –98,000 landline and 24,000 mobile phone– and Euros 15.2 million in revenue for the Group.

As well as expanding its customer base, Virgin telco continues to increase the number of services per customer and ARPU. In particular, ARPU has risen over 18% in the past year, and the service bundles subscribed per customer have grown more than 30% to 3.3 products and services per customer. Growth in services per customer at Virgin telco has been driven largely by the success of its Virgin Family offering, which attracts customers with a high number of mobile lines to the company, as well as the success of its TV services among new customers. The number of services per customer is key to the company's national expansion strategy as it drives ARPU growth and the company's profitability, which in turn are key to generating shareholder value.

In its first year of operation, Virgin telco has achieved a leading NPS (Net Promoter Score) on the market, which has increased even further in Q2. Virgin Telco's NPS leadership has been achieved through excellent value for money positioning, excellence in customer care and technical

support, superior service quality, speed and coverage, and its ability to innovate and continuously improve the service. Recent product launches, such as "Virgin Family", "Wifi Mesh", "Netflix fan" and access to Amazon Prime content support this strategy.

New customer record

As a result, the Group has set a new customer base record, building on the solid growth achieved in previous quarters, with over 863,000 mass market customers reflecting a 10.3% increase on Q2 of the previous year, with more than 80,000 new customers. Of the Group's total mass market customers, 752,000 are landline users and 111,000 are mobile-only customers.

The number of high-value product and service subscriptions in the homes of Euskaltel Group customers now stands at a record high of over 3.13 million. Customers in the residential segment have subscribed to 243,000 new services compared to Q2 2020. The portfolio of high added-value customers on 3P and 4P contracts continues to reflect the industry's highest levels, showing its strength with an average of 3.63 products per user. This ratio grows again this quarter, driven by Virgin telco's good customer performance, as mentioned above, as well as by stability in the traditional business customer base.

Mobile telecommunications has seen the greatest growth in Q2 2021 compared to the prior year with 171,000 new service contracts, followed by ultra-fast broadband with 82,000 more service contracts than in June 2020. 7,000 new TV subscriptions. Landline services have grown again in the last two quarters.

It is worth noting that Euskaltel has emerged as one of the leaders in growth following the market decline caused by the pandemic, adding over 15,000 customers in the last quarter. In addition, Euskaltel has increased its market share in terms of mobile portability on a quarter by quarter basis, with a record 7.5% share of ported numbers in Q2. Euskaltel is among the top three operators in terms of customer growth in the Spanish market over the last nine months.

The Business market shows new record growth in terms of revenue during the first half of the year, the biggest revenue jump on record, with a notable 6% increase on the first half of 2020, up to Euros 61.2 million. This growth has been underpinned by the trust shown from the company's large accounts and the strong demand for quality services and assistance required by businesses, which has become more noticeable during the pandemic.

The company's financial position at the end of the quarter is solid

Group revenue has grown solidly in the quarter, up 1.5% on the same quarter last year. This growth has been driven by the successful national expansion plan, as well as the success of the customer loyalty programmes implemented in 2020 in the traditional business. These customer loyalty plans have meant that customer revenue has grown again in the quarter while bringing customer loyalty back to pre-pandemic levels.

Strong revenue performance, coupled with margin improvements, has led to EBITDA growth of 1.2% in Q2. The success of the 2020 loyalty campaigns, which have stabilised the customer base and pushed ARPU to grow again, coupled with the continued introduction of efficiencies, has led to a solid EBITDA performance in the quarter.

This strong EBITDA performance has been achieved despite the renegotiation of wholesale agreements being suspended which, as mentioned in the previous quarter, has had a significant effect on the company's profitability in 2021.

As a result, the Q2 results reflect the wisdom of the business decisions taken at the end of 2020, as Euskaltel has not only emerged from the Covid-driven market downturn as one of the fastest growing leaders, but has also improved its profitability.

It is worth noting that the cable-to-fibre network upgrade project has resulted in accelerated depreciation of Euros 13 million of cable assets in the quarter. Excluding this effect, the company would have generated over Euros 6 million in net profit in the quarter and would have closed the first half of the year with adjusted profit of Euros 13.4 million. As with EBITDA, this net adjusted profit would have been higher had the talks to renegotiate wholesale agreements not been suspended.

Despite heavy investment in fibre of more than Euros 30 million and the launch of a high-growth national expansion strategy, Euskaltel has generated Euros 70 million in operating cash flow in the last twelve months. Moreover, in 2021 Euskaltel has brought forward payment of its additional dividend to Q2, which has resulted in a pay-out of Euros 80 million in dividends in the last twelve months.

This dividend pay-out shows Euskaltel's continued commitment to shareholder remuneration which, despite the high investments made, maintains a dividend yield of over 4% at current share prices.

The Group's strong shareholder remuneration and its solid investment in growth projects, such as national expansion and upgrading the network to FTTH, demonstrates the success of the company's profitable growth strategy. This strategy was launched more than two years ago and has met and even surpassed each of its key milestones month after month.

The Euskaltel Group's fibre optic network now covers over 24.5 million homes

In the last year, the company's landline network coverage has increased by 6 million homes to over 24.5 million homes nationwide, driving Virgin telco's rapid growth in the market.

Increased network coverage and enhanced network management are key drivers for continued, profitable growth in the company's customer base and reflect the company's enormous potential for growth and profitability.

In Q2 2021, the Group has also considerably speeded up its ambitious plan to upgrade its cable network to optic fibre, now covering more than 100 municipalities in the Basque Country, Galicia and Asturias, compared to 30 in Q1.

The cable- to-FTTH network upgrade plan at Euskaltel, R and Telecable, which began in Q1, has now reached over 340,000 homes, representing approximately 15% of their total cable coverage compared to 45,000 homes in the previous quarter. At this point, 11,000 customers have already been fully migrated to the new Fibra Max product. The cable-to-fibre upgrade project is an essential part of Euskaltel's profitable growth strategy, as it delivers significant operational efficiencies, while greatly increasing the value and quality of service to customers.