



First half 2017 results

28 July 2017

Key highlights

1

Top line performance

- Residential revenue (67% of total revenues) growing 0.4% YoY in the first half driven by upselling
- Under an aggressive competitive landscape, positive evolution of churn, with net subs maintained in the Basque Country while Galician net adds figure were hit in the semester by the one-off impact of the mobile host migration and the end of academic course
- Increase in TV services with c.9k new RGUs (+3.5% YoY) and c.35k new mobile lines (+4.8% YoY), with mobile penetration reaching a record-high (80%)
- Residential ARPU growth of €0.6 YoY (+1.0% YoY) on the back of successful product intake (67% 3P&4P bundles in 1H17) vs. 65% in 1H16
- Business segment (28% of total revenues) impacted by the loss of the Basque Government contract in large accounts and ARPU deflation in SMEs

2

Efficient cost management

- EBITDA margin enhancement from 48.7% in previous year to 49.4%
- Direct costs down 10% YoY driven by an efficient interconnection and less handset costs, improving gross margin from 75.6% to 77.5% vs. previous year.
- Due to recent regulatory changes, Euskaltel is now subject to the payment of CRTVE fee representing 0.9% of telecom annual revenues and 1.5% of annual TV revenues
- Synergies delivery on track according to timetable

3

Strong cash flow conversion to accelerate deleverage and shareholder distribution

- Superior operating cash flow margin (32.8% as of 1H17)
- Capex management in line with guidance (16.5% of revenues)
- c.€92m OpCF generated in 1H17, allowing for a deleverage up to 4.2x EBITDA LTM
- Dividend distribution of €54.6m against 2016 results (€0.36 per share of which €0.15 paid in February and €0.21 in July)

4

Telecable

- Deal closed last July 26th. Figures to be consolidated from August 2017

Consolidated financial results (key profit & loss items)

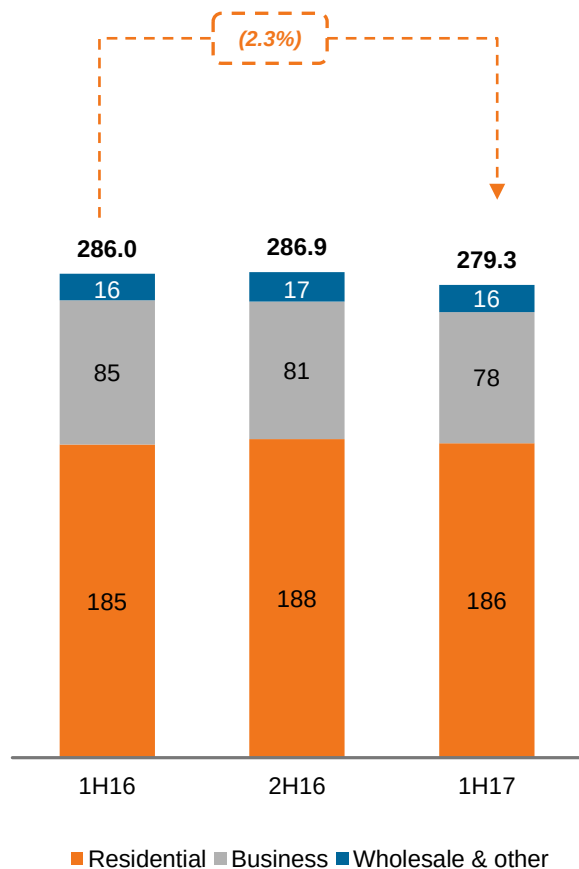
	1H17	1H16	1H17 vs. 1H16	
			€m	% change
Revenue (€m)	279.3	286.0	(6.7)	(2.3%)
Adj. EBITDA (€m)	137.9	139.3 ¹	(1.5)	(1.0%)
Margin (%)	49.4%	48.7%	+65 bps	
OpCF (€m)	91.7	93.7	(2.0)	(2.1%)
Margin (%)	32.8%	32.7%	+8 bps	
Adj. EBIT (€m)	62.0	65.4	(3.4)	(5.2%)
Net income (€m)	21.1 ²	30.2	(9.1)	(30.1%)

¹ 1H16 reported EBITDA: €139.3 m. 1H16 EBITDA adjusted for the impact of CRTVE fee (€2.2m): €137.1m.

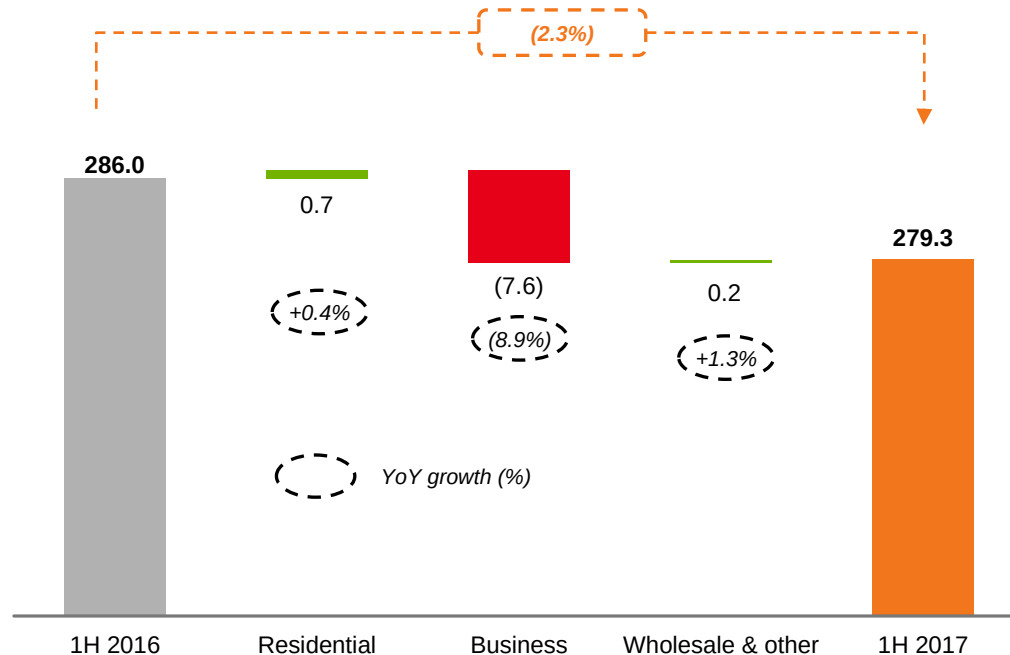
² Net income in 1H17 impacted by extraordinary items of €4.6m for CRTVE fee regarding FY2016 and €3.9 m for optimization of the organizational structure.

1H17 net income adjusted for these impacts: €29.6m.

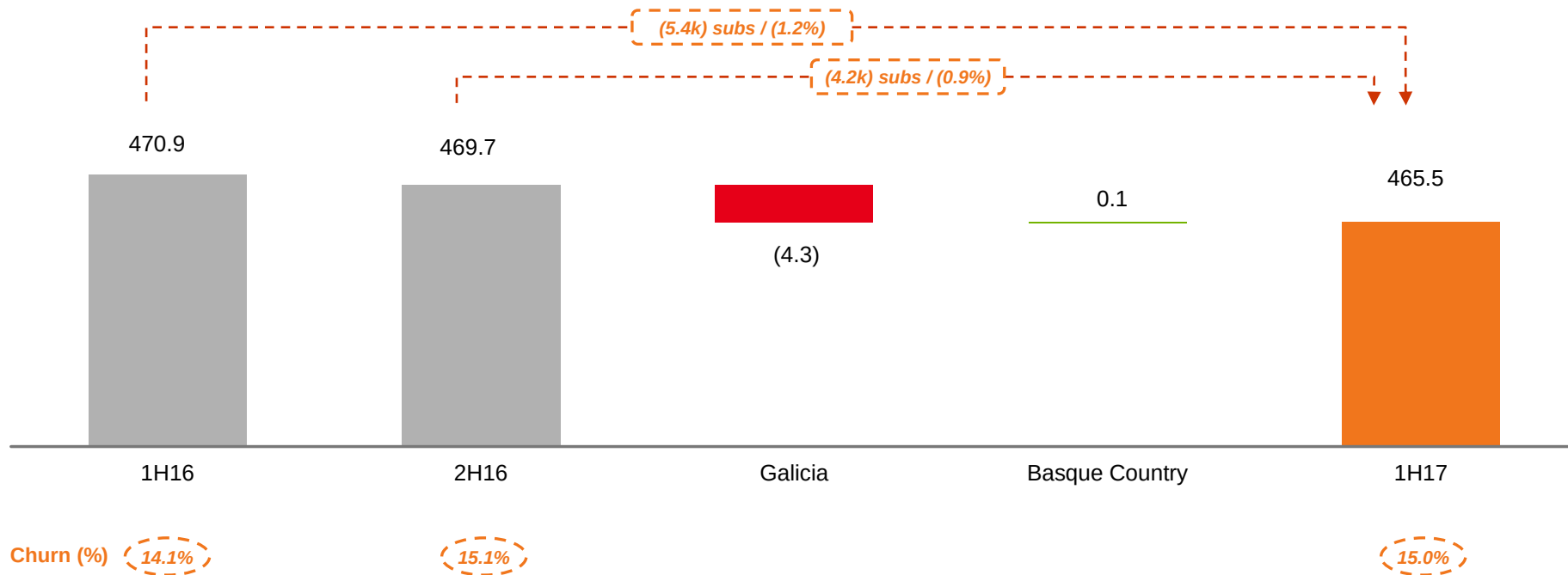
Revenue (€m)



Revenue evolution 1H17 vs 1H16 (€m)



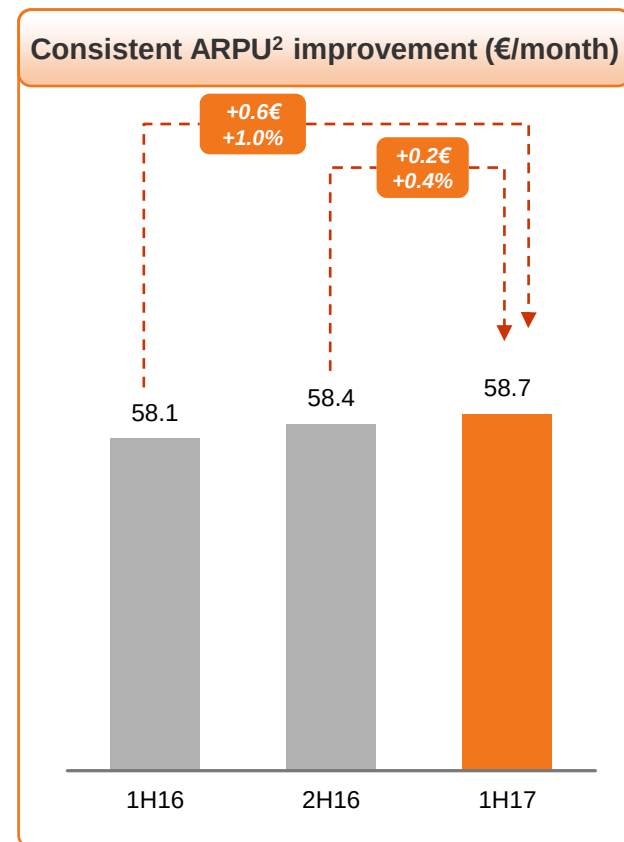
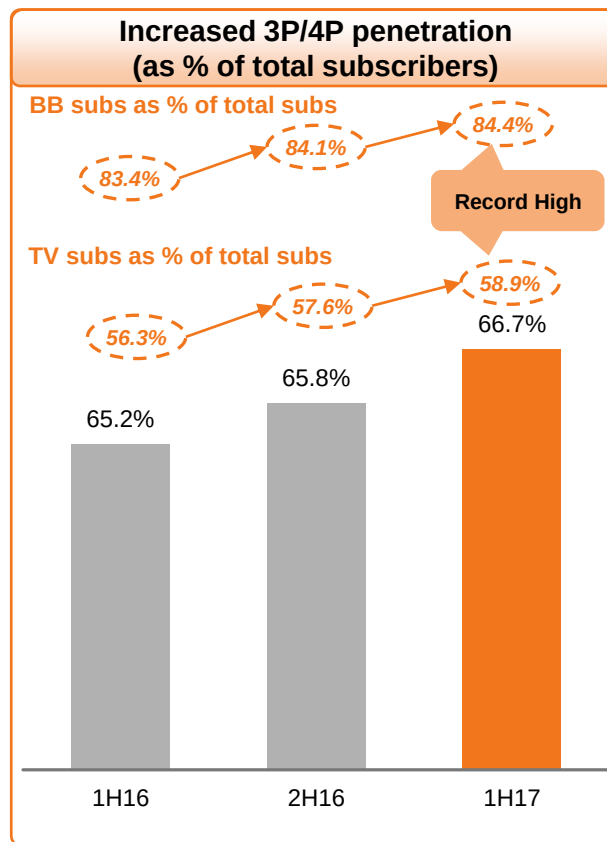
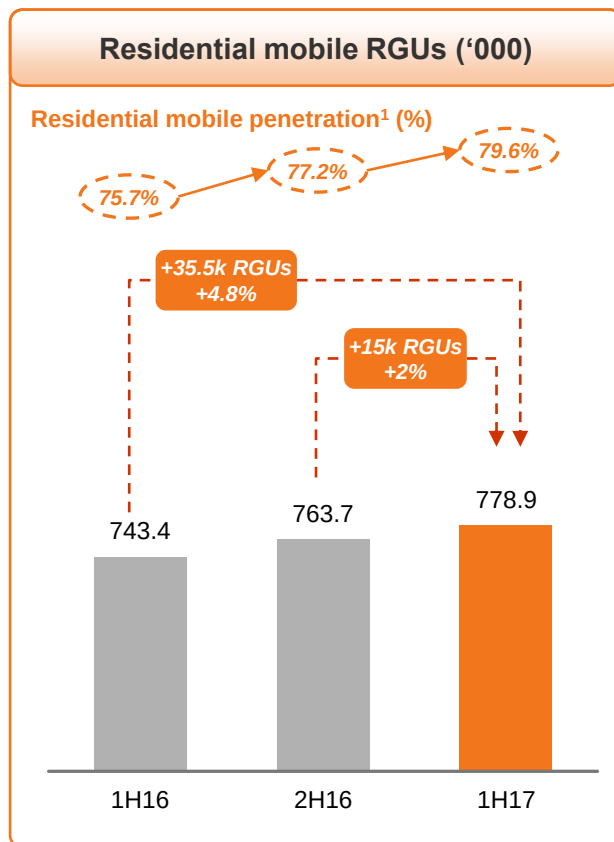
- Revenue evolution driven by the growth in the residential segment (+0.4% YoY) offset by the decline of the business segment
- Growth in wholesale & other due to MVNO enabler projects

Fixed residential subscribers evolution¹ ('000)

- Basque Country net adds performance in line with mid term guidance to maintain market share despite tough FTTH competition
- Customers loss in Galicia worsened by the host migration still impacting Q2 2017
- University students ending their contracts (new connections expected for September)
- Churn rate in the first half at 15.0% (14.0% ex the impact of the host migration in R Cable)

Note:

1. Excludes mobile-only subscribers

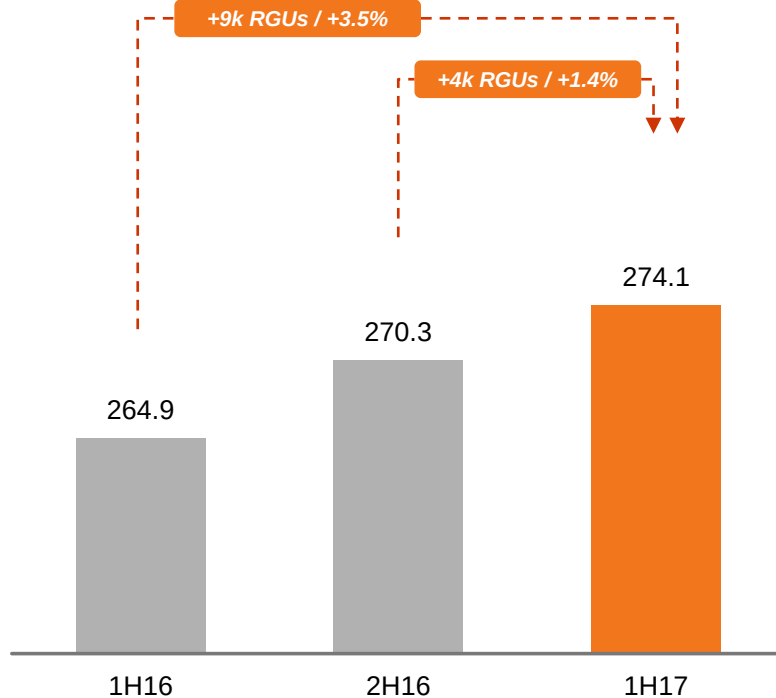


- Record-high for Mobile penetration (79.6%), BB subscriber penetration (84.4%) and TV subscriber penetration (58.9%)
- Positive TV subscribers evolution over the last half year with +3.8k net adds
- Residential ARPU record at €58.7 (+€0.6 YoY) on the back of continued upselling (66.7% 3P&4P bundles in 1H17 vs. 65.2% in 1H16) and certain price repair
- Price increases during 1Q17 have been partially eroded by retention efforts related with host migration and competitive pressure

Notes:

- Residential subscribers with mobile (excluding mobile-only subscribers) as percentage of total fixed subscribers
- Global ARPU based on fixed customers

Evolution of residential TV RGUs ('000)



TV STRATEGY

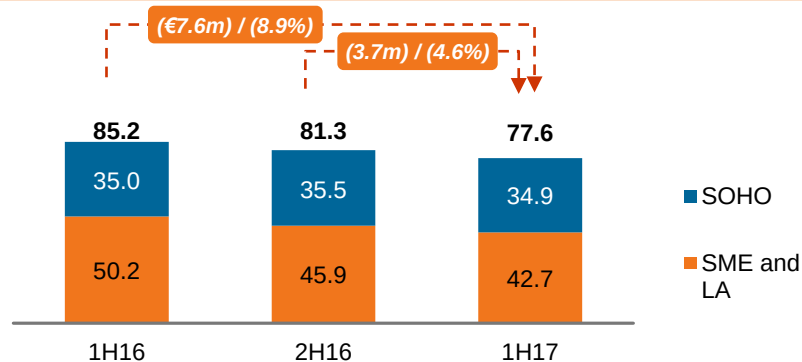


- Android TV to enjoy the best of two worlds:
 - Best apps: Youtube, Ted, music, games, sport
 - TV contents in a new, enhanced way
- Features like Replayteka y Te Lo Perdiste (last 7 days content recorded, start over, ...)
- 4K technology, 4 times more detail than HD
- Ready for the future: domotics, remote assistance, ...

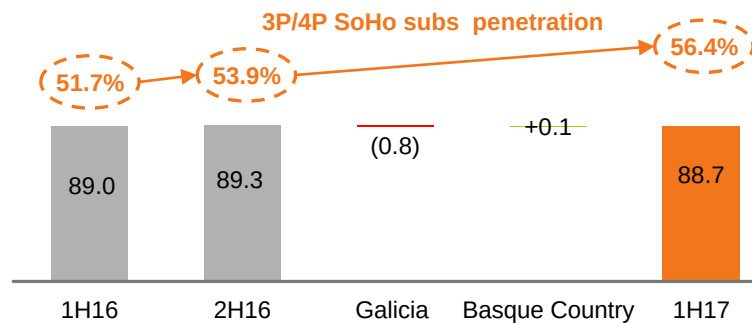
- Strong performance of our TV offering with 3.5% growth in RGUs YoY
- New 4K Android based set-top box launched in July. It will be installed in new and selected current customers, aligned with our strategy of creating a TV enhanced experience
- Our approach to future content investment will always remain disciplined, flexible, focused on customer value and subject to prevailing market conditions

1 SOHO and Business segment performance

Business revenue evolution (€m)



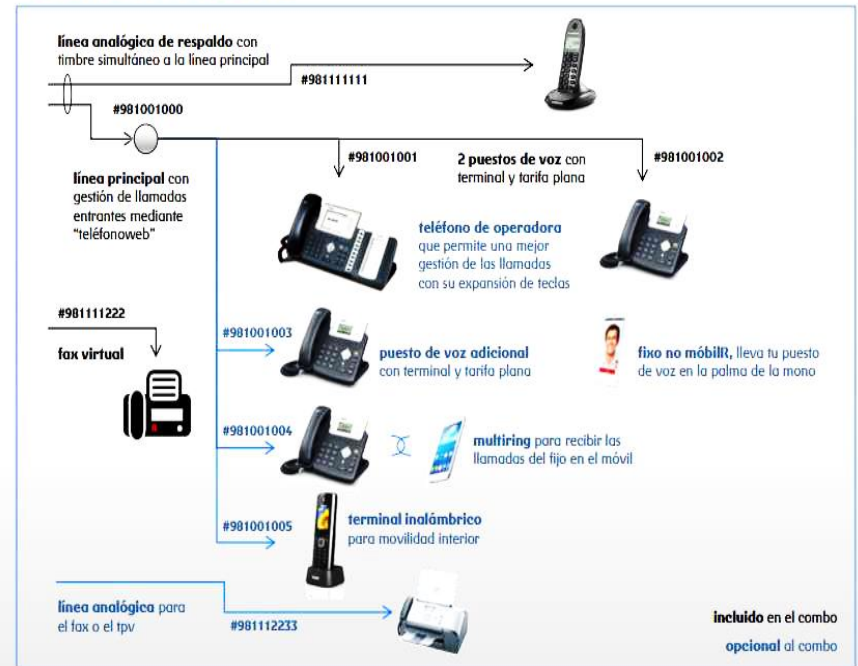
Subs (000') evolution



New initiatives in the quarter

Within the strategy of standardized solution for SMEs, we've already launched the first of these solutions: "The Combo Oficina"

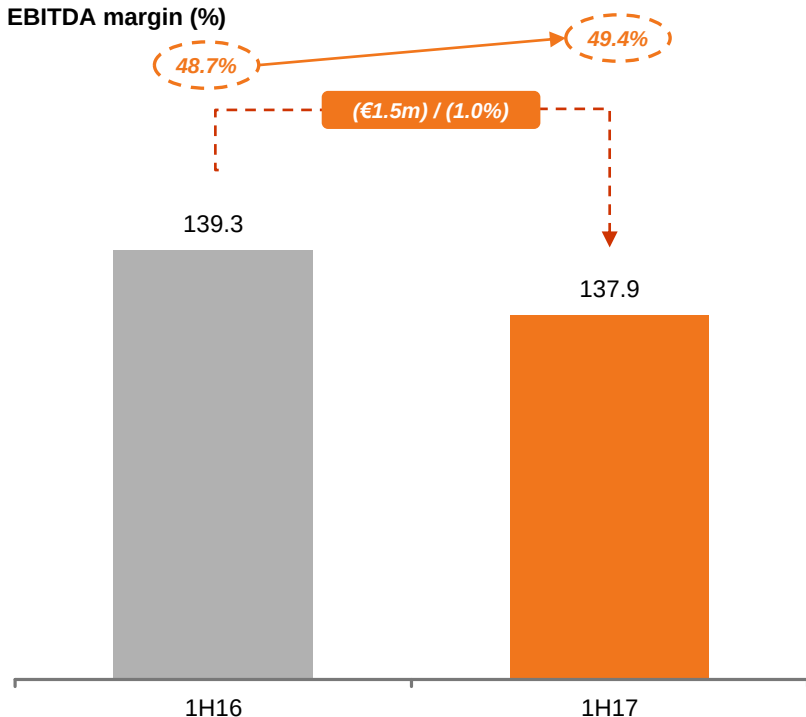
combo oficina



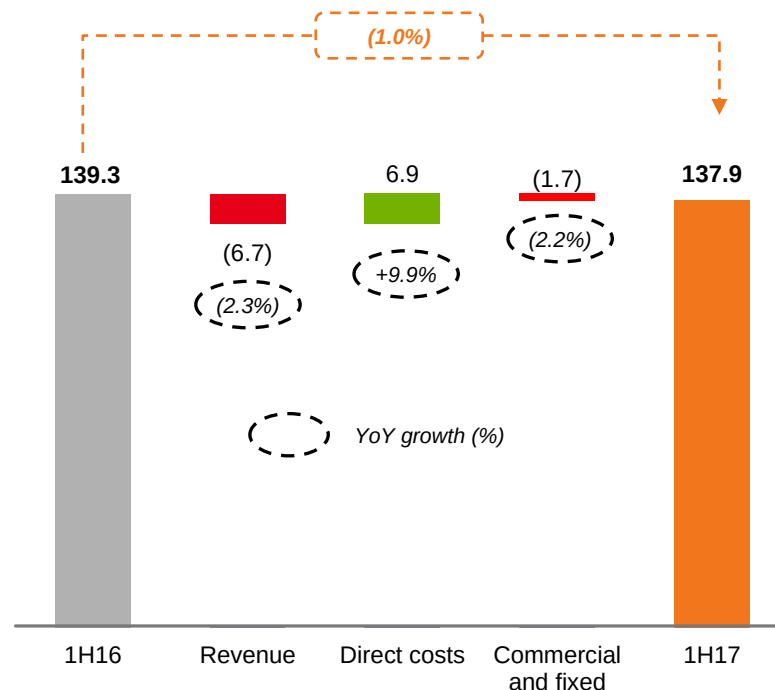
- Increased 3P/4P penetration (56.4% in 1H17)
- Subscribers impacted by host migration in Galicia. Under a competitive environment without extraordinary variables, like in the Basque Country, we prove our capacity to defend our market share.
- Like in the residential market, SOHO ARPU has been eroded by the heavy retention and entry promotions put in place during 1Q17

EBITDA evolution (€m)

EBITDA margin (%)



EBITDA evolution 1H17 vs. 1H16 (€m)



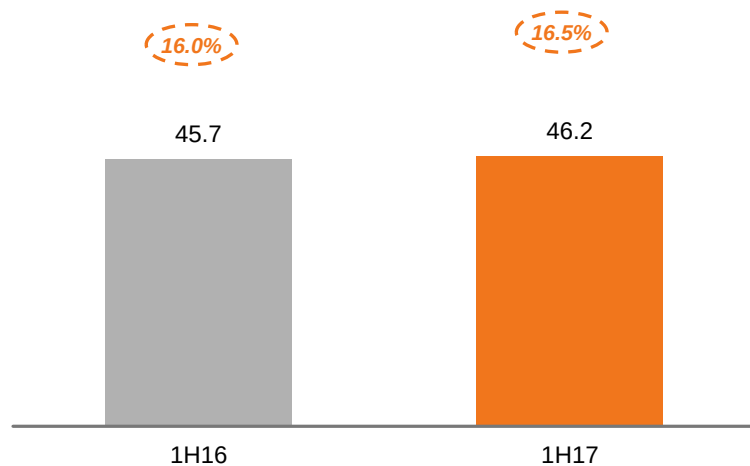
- In a tough environment, EBITDA margin approaching 50% guidance
- 1H16 reported EBITDA reached €139.3m. Adjusted for the impact of CRTVE fee (€2.2m) it would have reached €137.1m (implying a pro forma LfL growth of 0.6%)

- Revenues evolution negatively impacting EBITDA
- Direct cost reduction of 9.9% in 1H17 even after absorbing new CRTVE fee, benefiting from Galician mobile traffic under new host.
- Optimised TV content cost (+1.5% increased cost vs +3.5% more TV subscribers).
- Fixed costs impacted by the delay in the IT integration, network maintenance costs and provision for unexpended vacation leave

Capex and OpCF¹ evolution

Consolidated capex (€m)

Capex as % of revenue (%)



Consolidated OpCF (€m) and OpCF margin (%)

OpCF / Revenues

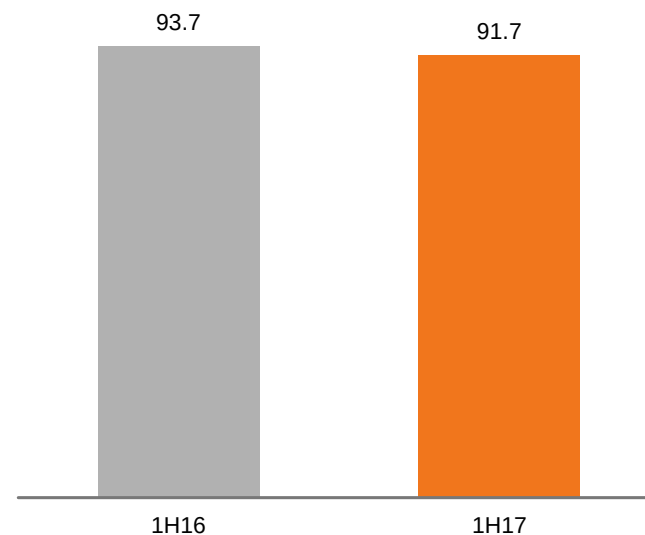
32.7%

32.8%

OpCF / EBITDA

67.2%

66.5%

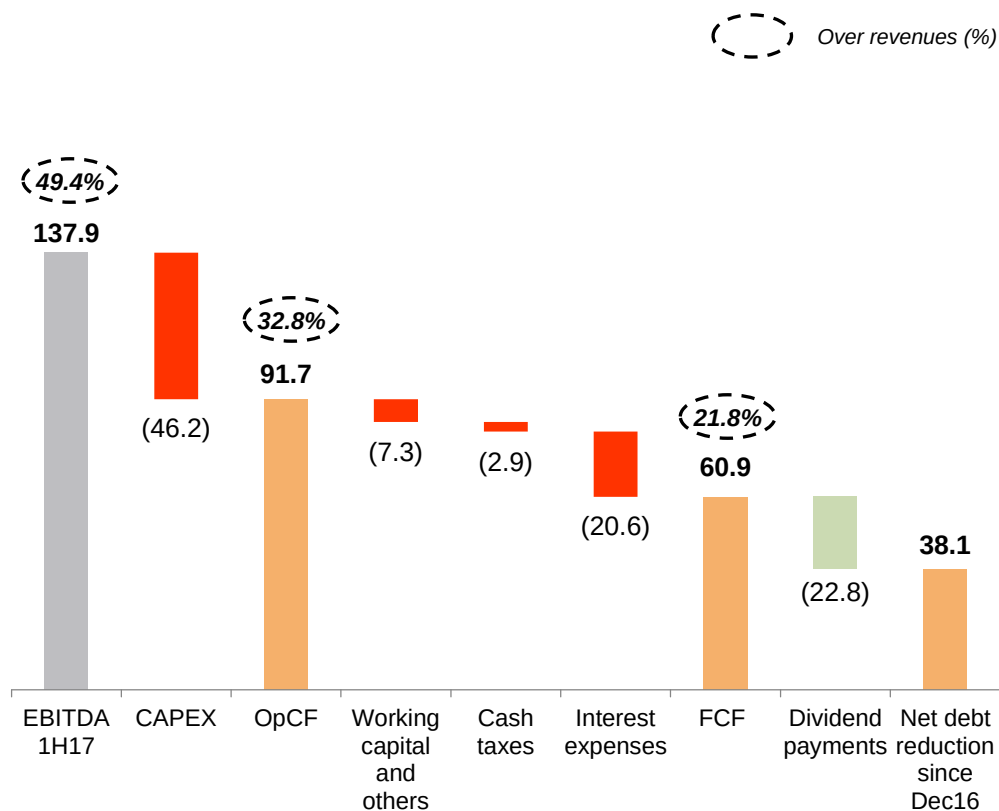


- Capex management in line with guidance (16.5% of revenues)
- DOCSIS 3.1 project evolving as planned. 42% of Basque Country network already upgraded to new DOCSIS 3.1 standard compatible.
- Cash-conversion rate at sector notch reaching 32.8% OpCF over revenue and 66.5% over EBITDA

Note:

1. OpCF defined as EBITDA – capex

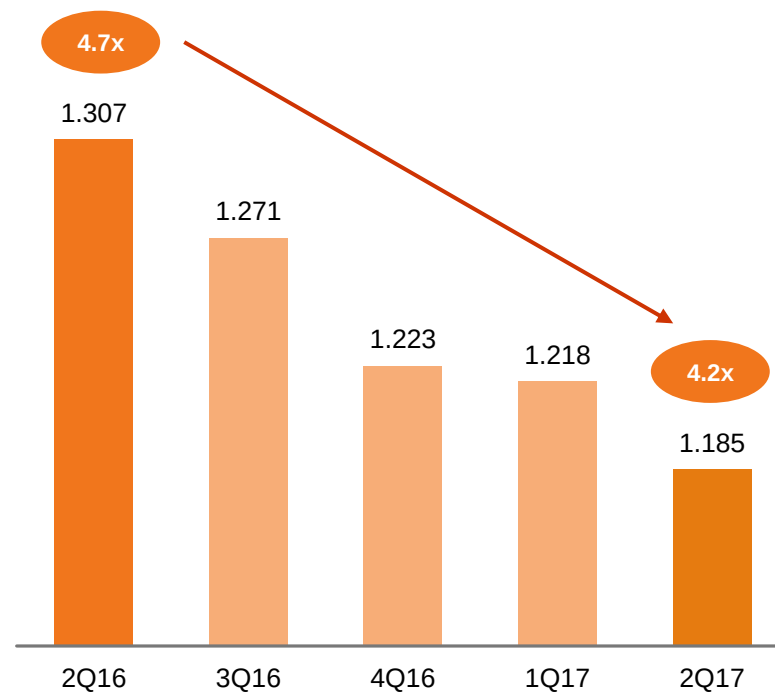
1H17 Free Cash flow



Equity free cash flow in the first half of 2017 amounts to €61m allowing for dividend distribution

Net debt (€m)

Leverage evolution (ND / LTM EBITDA)



- Strong cash generation resulting in consistent deleverage with net debt / EBITDA ratio standing at 4.2x
- Cost of debt as of June 2017 stands at 3.16%

Closing milestones

- Transaction approved at Euskaltel's General Shareholders' Meeting on June 26th 2017
- Transaction authorised by the CNMC on July 3rd, 2017
- Remaining condition precedents satisfactory completed
- Closing and funding on July 26th, 2017

Consideration

- Consideration of the transaction consisting of :
 - 26.8m new ordinary shares of Euskaltel issued to Zegona – equivalent to 15% of Euskaltel's share capital
 - Refinancing of Telecable's €274m syndicated facility
 - For the purpose of the closing figures, the estimated Telecable net debt and transaction related expenses at closing stood at €255m (vs. initial estimate of €245m and subject to post closing audit review) . As a consequence, the cash payment to Zegona amounts to €176m.

Financing

- Euskaltel's leverage to increase from current 4.2x to c.4.5x post-closing (amounting to €1.6bn) and expected to decrease close to 4.0x by the end of 2018⁽¹⁾
- All-in cost of debt of 2.97%.
- Euskaltel expects to maintain its shareholders' remuneration in the terms previously announced to the market⁽²⁾

(1) Including fully-phased synergies. Leverage post-closing proforma to include dividends to paid in 2017

(2) Subject to Euskaltel's Board of Directors and General Shareholders' Meeting approval

Euskaltel group - Reaffirming our commitment and our vision

- 1 Undisputed leading cable and convergence operator in the North of Spain
- 2 Attractive local brands with strong emotional attachment and loyal high-quality clients
- 3 State-of-the art fully invested fiber network, providing best-in-class service and acting as an entry barrier
- 4 Strong resilient performance with a ability to strive under current market conditions
- 5 Identified opportunities for further upside from pricing, up-selling, cross-selling and increasing penetration
- 6 Strong business segment providing diversification with identified upside potential
- 7 Efficient and prudent financing structure combined with a superior cash conversion allowing to maintain attractive shareholder remuneration policy
- 8 Reinforcement of the current shareholding and corporate governance structure



Appendix - Euskaltel 1H 2017 consolidated results and KPIs

Euskaltel consolidated - KPIs (i/ii)

Residential		Anual		Quarterly					
KPIs	Unit	2015	2016	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Homes passed	#	1,699,073	1,707,558	1,700,847	1,703,361	1,703,941	1,707,558	1,708,468	1,709,771
Household coverage	%	65%	65%	65%	65%	65%	65%	65%	65%
Residential subs	#	545,502	546,040	547,009	548,069	548,945	546,040	544,351	540,510
o/w fixed services	#	471,664	469,662	471,837	470,895	471,463	469,662	468,944	465,477
as % of homes passed	%	27.8%	27.5%	27.7%	27.6%	27.7%	27.5%	27.4%	27.2%
o/w mobile only subs	#	73,838	76,378	75,172	77,174	77,482	76,378	75,407	75,033
o/w 1P (%)	%	21.9%	21.7%	21.7%	21.6%	21.9%	21.7%	21.2%	20.9%
o/w 2P (%)	%	14.8%	12.5%	14.0%	13.3%	12.9%	12.5%	12.3%	12.4%
o/w 3P (%)	%	29.6%	26.4%	29.0%	27.8%	27.0%	26.4%	26.0%	25.9%
o/w 4P (%)	%	33.7%	39.4%	35.3%	37.3%	38.2%	39.4%	40.6%	40.8%
Total RGUs	#	1,809,720	1,891,653	1,836,291	1,868,347	1,881,701	1,891,653	1,904,783	1,899,532
RGUs / sub	#	3.3	3.5	3.4	3.4	3.4	3.5	3.5	3.5
Residential churn fixed customers	%	14.8%	15.1%	13.5%	14.1%	14.9%	15.1%	16.1%	15.0%
Global ARPU fixed customers	€/month	55.97	58.44	57.59	58.10	58.52	58.44	58.57	58.68
Fixed Voice RGUs	#	467,181	462,827	467,280	467,292	465,362	462,827	459,968	453,821
as% fixed customers	%	99.0%	98.5%	99.0%	99.2%	98.7%	98.5%	98.1%	97.5%
BB RGUs	#	389,456	394,810	391,733	392,722	394,738	394,810	396,310	392,646
as% fixed customers	%	82.6%	84.1%	83.0%	83.4%	83.7%	84.1%	84.5%	84.4%
TV RGUs	#	250,191	270,333	256,783	264,899	267,325	270,333	274,408	274,139
as% fixed customers	%	53.0%	57.6%	54.4%	56.3%	56.7%	57.6%	58.5%	58.9%
Postpaid lines	#	702,892	763,683	720,495	743,434	754,276	763,683	774,097	778,926
Postpaid customers	#	412,247	438,953	422,737	433,513	436,737	438,953	443,892	445,746
as% fixed customers (only mobile excluded)	%	71.7%	77.2%	73.7%	75.7%	76.2%	77.2%	78.6%	79.6%
Mobile lines / customer	#	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7

SOHO		Anual		Quarterly					
KPIs	Unit	2015	2016	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Subs	#	88,163	89,322	88,301	89,014	89,076	89,322	88,945	88,676
o/w 1P (%)	%	28.5%	29.7%	31.7%	30.8%	30.4%	29.7%	28.7%	28.0%
o/w 2P (%)	%	27.0%	16.4%	18.4%	17.5%	16.9%	16.4%	15.9%	15.5%
o/w 3P (%)	%	33.9%	39.7%	38.1%	38.9%	39.3%	39.7%	40.1%	40.5%
o/w 4P (%)	%	10.6%	14.2%	11.8%	12.8%	13.3%	14.2%	15.2%	15.9%
Total RGUs	#	278,314	300,713	285,111	292,888	296,335	300,713	303,168	303,886
RGUs / sub	#	3.2	3.4	3.2	3.3	3.3	3.4	3.4	3.4
SOHO churn fixed customers	%	21.3%	20.3%	22.3%	21.5%	20.5%	20.3%	24.1%	21.2%
Global ARPU Fixed customers	€/month	65.3	65.2	64.9	65.0	65.3	65.2	65.1	64.9

SMEs and Large Accounts		Anual		Quarterly					
KPIs	Unit	2015	2016	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Customers	#	11,518	11,193	11,315	11,262	11,224	11,193	11,084	11,042

Selected financial information		Anual		Quarterly					
	Unit	2015	2016	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Total revenue	€m	349.4	572.9	141.8	144.2	144.4	142.5	139.5	139.8
Y-o-y change	%	8.8%	164.0%	78.2%	75.7%	74.6%	35.7%	-1.6%	-3.0%
o/w residential	€m	215.7	373.1	91.3	93.7	95.0	93.1	92.5	93.2
Y-o-y change	%	10.2%	173.0%	86.3%	84.5%	83.7%	45.1%	1.2%	-0.5%
o/w Business	€m	99.3	166.6	42.4	42.8	41.7	39.7	39.0	38.6
Y-o-y change	%	6.3%	167.7%	86.3%	82.5%	83.1%	30.8%	-8.1%	-9.7%
o/w Wholesale and Other	€m	25.4	33.2	8.0	7.8	7.7	9.7	8.06	7.95
Y-o-y change	%	0.8%	130.6%	44.3%	39.1%	24.8%	19.6%	0.1%	2.5%
o/w Other Profit Neutral Revenues	€m	8.9	-	-	-	-	-	-	-
Y-o-y change	%	29.5%							
Adjusted EBITDA	€m	167.0	280.6	69.1	70.3	70.2	71.0	68.0	69.9
Y-o-y change	%	7.1%	168.0%	83.2%	83.4%	72.7%	41.0%	-1.5%	-0.6%
Margin	%	47.8%	49.0%	48.7%	48.7%	48.6%	49.8%	48.8%	50.0%
Capital expenditures	€m	(53.1)	(95.9)	(21.7)	(24.0)	(21.8)	(28.4)	(23.2)	(22.9)
Y-o-y change	%	25.9%	180.5%	137.8%	161.2%	111.8%	15.8%	7.2%	-4.4%
% total revenues	%	-15.2%	-16.7%	-15.2%	-16.7%	-15.1%	-20.0%	-16.7%	-16.4%
Operating Free Cash Flow	€m	113.9	184.7	47.4	46.3	48.4	42.6	44.8	46.9
Y-o-y change	%	0.2%	162.1%	65.9%	58.7%	59.5%	65.0%	-5.5%	1.3%
% EBITDA	%	68.2%	65.8%	68.7%	65.7%	69.0%	60.0%	65.8%	67.2%
Net profit	€m	7.2	62.1	14.6	15.6	14.7	17.2	13.2	7.9

Consolidated financial results (key balance sheet items)

<i>Data in €m</i>	1H17	FY16
Non-current assets	2,086	2,119
Current assets	271	221
<i>o/w cash & equivalents</i>	200	157
Total assets	2,357	2,340
Equity	731	742
Non-current liabilities	1,405	1,388
Current liabilities	221	210
Total liabilities	1,626	1,598
Total liabilities & equity	2,357	2,340

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