2017 Investor Day
Euskalduna Conference Centre - 2017/11/13
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## Today’s agenda

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<td>F. Arteche</td>
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Presenting team

Francisco Arteche
CEO

J. Ander de las Fuentes
CFO

Norberto Ojinaga
CTO

Isidro Fernández de la Calle
B2B Enterprise Marketing

Jesús Pérez
CIO

Koldo Unanue
Euskadi Business Unit Director
Introduction

CEO
Francisco Arteche
Strategic milestones

Initial Public Offering  
*Jul-15*

1. Successful IPO of the first Spanish cable company in history
2. Support of highly reputed institutional investors
3. Strong after market performance of the stock

Acquisition of R Cable  
*Nov-15*

1. Transformational transaction in Euskaltel history
2. Fully consistent with consolidation strategy
3. Highly value accretive with cash flow impact over 20%
4. Synergies delivered on time and revised upwards
5. Support from institutional equity and debt investors (£255m equity raising and £900m debt raising)

Platform creation  
*Dec-15 / Today*

1. Acquisition of the remaining independent regional cable business
2. Largest independent convergent cable platform in Spain
3. Governance support with the incorporation of Zegona’s and John James’ international expertise

Note
1. On a Spanish stock exchange
We have built a 2x larger business since IPO...

<table>
<thead>
<tr>
<th>Subscribers ('000)</th>
<th>EBITDA¹ (€m)</th>
<th>OpCF³ (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mobile penetration (%)</strong></td>
<td><strong>EBITDA margin (%)</strong></td>
<td><strong>As % of revenue (%)</strong></td>
</tr>
<tr>
<td>IPO</td>
<td>3Q 2017</td>
<td>IPO</td>
</tr>
<tr>
<td>348</td>
<td>156</td>
<td>113</td>
</tr>
<tr>
<td>&gt;2x</td>
<td>&gt;2x</td>
<td>~2x</td>
</tr>
</tbody>
</table>

Notes
1. Unaudited figures. Adjusted for management fees, M&A expenses, transaction bonuses and other extraordinary items (+€2.8m in 2016)
2. Unaudited preliminary pro-forma figures for the acquisition of Telecable
3. Throughout the presentation, OpCF defined as (EBITDA – capex)
... becoming the leading platform in the north of Spain

Geographical complementarity

Subs¹: 284k Populations²: 2.7m
Subs¹: 153k Population²: 1.0m
Subs¹: 350k Population²: 2.2m

Telecable

Mobile penetration (3Q17)
Broadband mkt share (2015)
Pay TV mkt share (2015)

Consistently leading market position in our regions

2010
Now

Consistently leading market position in our regions

Key metrics

Addressable market (inhabitants)
~ 6m
Homes passed (000’s)
~ 2,200
Subscribers
~ 790k
Wi-Fi spots
> 400k

Market position (in respective regions)

Key achievements

Shareholder remuneration initiated
Value-accrative M&A delivered
Financial discipline preserved
Sector-top operating and financial metrics maintained

Source: INE, CNMC, Company internal estimates
Notes:
1. Total subscribers (Residential + business) figures as of Sept-17
2. 2016 data from INE
3. 3rd operator in the Basque country
4. 4th operator in Asturias
Current market valuation offers attractive potential….

… by fixing the issues that the market currently perceives

<table>
<thead>
<tr>
<th>Source</th>
<th>Bloomberg as of Nov-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note</td>
<td>1. Euskaltel multiple is a LTM Sep-17 proforma figure</td>
</tr>
<tr>
<td></td>
<td>2. Market average based on Telenet, NOS and Com Hem</td>
</tr>
</tbody>
</table>

### Residential
- Deliver an attractive and competitive offering in a new competition scenario
- Address churn issues in Galicia and Asturias
- Re-boost brand equity

### Cash flow
- Develop a smart capex strategy
- Balance cash flow optimization with value-accrative growth projects

### Communication
- Visibility on mid-term strategy
- Performance traceability

### B2B
- Demonstrate our readiness to compete in a transforming ICT market
- Implement a unified B2B strategy

#### 2017E EV / OpCF (x)

<table>
<thead>
<tr>
<th></th>
<th>Euskaltel</th>
<th>Market average</th>
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</thead>
<tbody>
<tr>
<td>Euskaltel</td>
<td>12.8x</td>
<td></td>
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<tr>
<td>Market average</td>
<td>18.7x</td>
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+46% increase

#### 2017E EqCF yield (%)

<table>
<thead>
<tr>
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<th>Euskaltel</th>
<th>Market average</th>
</tr>
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<tbody>
<tr>
<td>Euskaltel</td>
<td>12.4%</td>
<td></td>
</tr>
<tr>
<td>Market average</td>
<td>6.0%</td>
<td></td>
</tr>
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</table>

640 bps increase

% upside on current share price to reach sector average
Milestones achieved in 2017

- New corporate organization
- Strategic plan 2017 - 2022
- People talent
- First Android 4k STB
- Customer satisfaction intelligence
- Secured mobile data risk
- OTT deal with Netflix
- Secured smart expansion
- MSFT CSP Tier 1
- Docsis 3.1 network
- Refinanced debt
What’s next? Our strategy going forward

CEO
Francisco Arteche
Market context: Data and TV driven market with increased competition

Contribution to growth

CAGR 11A-21E

Spanish telecom sector

Notes:

1. Revenue growth over the 2011A - 2019E period calculated as the evolution of the aggregated revenues of the 5 main Spanish competitors (Euskaltel, Movistar, Vodafone, Orange, MásMóvil). The series has been adjusted for Ono and Jazztel acquisitions by Vodafone and Orange. Estimates for 2017E-2019E based on a selection of broker projections for each of the above mentioned companies.

2. 2016 growth excluding Euskaltel, MasMovil and Orange growth. 2017 growth excludes MasMovil.

Source: Arthur D. Little (2015), CNMC

Data and TV driving moderate industry growth

Moderate growth expected for the coming years
Our position vs competition

- **Price perception**
  - LOW
  - HIGH

- **Quality of service**
  - LOW
  - HIGH

- **Premium content**
- **Mass market offering**
- **Price discount**
  - low value
Our Vision and Mission

We believe in an increasingly digital and interconnected world in which the combination of devices and technologies facilitate the day-to-day of our customers.

Data-driven world

- Download traffic growth L3Y:
  - Fixed: ~100%
  - Mobile: >400%
  - Wifi: >400%

- Growth YTD17:
  - Netflix: ~350%
  - Youtube: ~40%
  - Facebook: ~50%

-Max. average peaks of ~6 devices connected per household

90% internet users access via mobile

More immersive connected content

Residential connectivity

- Spanish households:
  - 77% have a PC
  - 97% have mobile phone
  - 82% have internet
  - 90% internet users access via mobile

Cloud based work environment

Mission

We work hand in hand with our customers to provide them with the best digital solutions to enrich their daily lives and their businesses.

Outdoor connectivity

Enterpise connectivity
Our Values

We apply our 4 values at each of the 8 moments of the customer experience:

1. First contact to contract Euskaltel’s services
2. Service activation
3. Use and experience of services
4. Invoice reception
5. Client feedback
6. Change in services
7. Client asking for help
8. Leave Euskaltel

An operator who listens... and responds accordingly, delighting the customer

Promises
✓ Proximity
✓ Honesty
✓ Innovation
✓ Agility

Values
Pillars of our strategy

1. Reinforce market position
   - Focus to ensure loyalty and capture quality

2. Drive new waves of growth
   - Geographic expansion
   - Model extension

3. Superior customer experience, brand equity leverage
   - Personalized and differential customer service

4. Agile and efficient process structure
   - Operational digitalization
   - Talent management

> 30 projects across the group
Reinforced focus around 5 key areas to deliver in our 4 key challenges

**Best customer experience while maintaining our leadership in residential**
- CEX (Customer Experience) at our DNA
- Brand investment to promote attachment
- End-to-end best broadband and TV experience
- Unique Wi-Fi experience

**Back to growth in B2B**
- Unified commercial strategy
- A reality of new products and services
- Smart alliances
- Global reach

**Network ready for future excellence**
- CEX driving network strategy
- Efficient access and roll-out
- Superior experience on mobility
- Addressing symmetry needs
- Tangible synergies

**Targeted expansion to boost growth**
- Infill expansion and new regions
- Fast time-to-market and brand recognition
- Strategy combining own and indirect access

**Platform integration and digitalisation**
- One company, multiple local brands
- Digital-future proof organisation

**Residential**
- Deliver an attractive and competitive offering in a new competition scenario
- Address churn issues in Galicia and Asturias
- Re-boost brand equity

**Cash flow**
- Develop a smart capex strategy
- Balance cash flow optimization with value-accrative growth projects

**B2B**
- Demonstrate our readiness to compete in a transforming ICT market
- Implement an unified B2B strategy

**Communication**
- Visibility on mid-term strategy
- Performance traceability
100% digital operator
Multi-region presence
Superior CEX and brand equity: company’s DNA
Smart capex strategy combining direct and indirect networks
Competitive B2B proposition and penetration of advanced products - ICT, IoT
Unified operations and channel transformation

Focus on business stabilization:
- Address churn in Galicia / Asturias
- Prove initial growth in B2B
- Revitalize brand
- Reinforce network quality and capacity expansion
- Integrate infrastructure, operations and sourcing models
- Maintain cost efficiencies
- Develop a talent plan

Unlocking full platform potential
Conclusion

1. Euskaltel has delivered its ambitious organic and inorganic targets in record-time since the IPO.

2. Euskaltel has become a real multi-region platform, deeply rooted in its core markets, but fully prepared to grow and enter new markets.

3. We are competing in an evolving scenario that offers new challenges, but also great opportunities.

4. We have defined a clear and comprehensive strategy focused on value generation through customer experience, growth and efficiencies, to which the entire organisation is committed.

5. The results of the implementation will offer sustained mid/long-term value creation potential to our shareholders.
Presentation of the key speakers

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Maintain our leadership in residential: best customer experience

Maintain our leadership in residential through best customer experience

Network ready for future excellence

Back to growth in business

Systems and processes unification: one company, local brands

Growth through expansion

Residential
Koldo Unanue
High valuable, longstanding customer base and best-in-class brand perception

Distribution of our customer base within our ARPU bands

- 55%
- 45%

Highly valuable customer base

Average seniority of the group’s client base

Group average 8.6 years

Brand recognition

Approachable and close

Best quality of service

I trust more than others

The one I like most

ARPUs:

€/month

< 10 10 - 20 20 - 30 30 - 40 40 - 50 50 - 60 60 - 70 70 - 80 80 - 90 90 - 100 >

Note
1. ARPU as of 3Q 2017 of the combined entity (Euskaltel + R Cable + Telecable)
2. Kantar media independent study (period of study 1H17)
## Our product positioning versus competition

### Pricing benchmarking

<table>
<thead>
<tr>
<th>Broadband</th>
<th>Basic</th>
<th>Medium</th>
<th>Family (2 mobile lines)</th>
<th>Basic</th>
<th>Medium</th>
<th>Family (2 mobile lines)</th>
<th>Basic</th>
<th>Medium</th>
<th>Family (2 mobile lines)</th>
<th>Basic</th>
<th>Medium</th>
<th>Family (2 mobile lines)</th>
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<tr>
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<td>TDT + 9 extra channels</td>
<td>&gt;70 Channels</td>
<td>&gt;90 Channels</td>
<td>TDT Channels</td>
<td>&gt;80 Channels</td>
<td>Football</td>
<td>--</td>
<td>&gt;60 Channels</td>
<td>Football</td>
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<td>Edonon multidevice</td>
<td>Edonon multidevice</td>
<td>Yomvi multidevice</td>
<td>Yomvi multidevice</td>
<td>--</td>
<td>OTT Football (+€9.95)</td>
<td>--</td>
<td>Multidevice</td>
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<tr>
<td>Mobile</td>
<td>200 min</td>
<td>Unlimited</td>
<td>Unlim.</td>
<td>Unlim.</td>
<td>200 min</td>
<td>Unlimited</td>
<td>Unlim.</td>
<td>200 min</td>
<td>Unlimited</td>
<td>Unlim.</td>
<td>200 min</td>
<td>Unlimited</td>
</tr>
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<td></td>
<td>4 GB</td>
<td>10 GB</td>
<td>10 GB</td>
<td>10 GB</td>
<td>2 GB</td>
<td>10 GB</td>
<td>10 GB</td>
<td>3 GB</td>
<td>8 GB</td>
<td>8 GB</td>
<td>6 GB</td>
<td>10 GB</td>
</tr>
<tr>
<td></td>
<td>+Outdoor free Wi-Fi</td>
<td>+Outdoor free Wi-Fi</td>
<td>+Outdoor free Wi-Fi</td>
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<td>--</td>
<td>Chat Zero</td>
<td>Chat Zero</td>
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<tr>
<td>Fixed</td>
<td>Unlimited fixed, 1,100 min mobile</td>
<td>Unlimited fixed, 1,100 min mobile</td>
<td>Unlimited fixed, 1,100 min mobile</td>
<td>Unlimited fixed</td>
<td>Unlimited fixed, 550 min mobile</td>
<td>Unlimited fixed</td>
<td>Unlimited fixed</td>
<td>Unlimited fixed, 1,000 min mobile</td>
<td>Unlimited fixed</td>
<td>Unlimited fixed &amp; mobile</td>
<td>Unlimited fixed &amp; mobile</td>
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</tr>
<tr>
<td>Price (€/month) (VAT included)</td>
<td>51</td>
<td>71</td>
<td>103</td>
<td>45</td>
<td>120</td>
<td>49</td>
<td>105</td>
<td>53</td>
<td>102</td>
<td></td>
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</tr>
</tbody>
</table>

### Note
1. Tariffs as October 17th 2017
Track-record of ARPU improvement and managed churn

Group ARPU evolution¹

Group churn evolution¹

Churn evolution by region¹

Source: Company information

Note: ¹ TLC Churn & ARPU in line with TLC management’s calculation method before acquisition.
Basque Country proves our ability to compete in current market

ARPU evolution in the Basque Country (€/month)

Churn evolution in the Basque Country (%)

Net adds evolution in the Basque Country (‘000)

Stable churn maintained

Improving our competitiveness vs. our competitors

We are growing ARPU

Back to positive net adds
4 Key levers to grow ARPU...

**Average speed contracted – Mbps (YTD 3Q17)**

Headroom to grow

- **Docsis 3.0 at 800 Mbps**
- **Docsis 3.1 Phase 1 at 2 Gbps**

<table>
<thead>
<tr>
<th>Service</th>
<th>166</th>
<th>147</th>
<th>132</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euskaltel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R Cable</td>
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<tr>
<td>Telecable</td>
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**Mobile penetration (3Q17)**

Headroom to improve

- 83.0%
- 77.3%
- 62.6%

**Mobile lines per household (3Q17)**

Headroom to improve

- 1.82
- 1.67
- 1.58

**TV Penetration (3Q17)**

Headroom to improve

- 101.3%
- 62.1%
- 57.0%

---

Note

1. For TLC’s clients, it is mandatory to subscribe to TV RGU which explains TV penetration exceeding 100%
... and to manage churn

Churn depending on Mobile or TV sub¹

- **Without mobile**
  - With mobile: 12%
  - 31%
- **Without TV**
  - With TV: 14%
  - 18%

Churn depending on # of lines (000')¹

- 31%
- 14%
- 13%
- 9%
- 7%
- 7%

Interactive TV use and Street Wi-Fi use

- Upgrade based on interactive TV use: 34%
  - On average churn is 34% lower
- Upgrade based on Street wifi use: 11%
  - On average churn is 11% lower

Source: Company information

Notes:
1. Euskaltel + R Cable YTD 3Q 2017 average
Strategy focused on our providing differential experience

**TV experience**
- VoD
- TV apps
- Catch up
- Reverse EPG
- Android TV

**Wi-Fi experience**
- Wi-Fi on holidays: Free 10GB data individually activated by each family when they go on holidays (2 x 15 days every year)
- Best experience at home: Wi-Fi quality audit, house monitoring

**Digital home experience**
- Location and monitoring: Kids location and Home monitoring from your mobile
  - Older relatives monitoring
- Buy Hardware: Service is free for our Internet+Mobile customers
- Growing set of sensors: Smoke, Door & Window, Movement, Smart Plugs, HD Camera

**Content**
- HD and evolution to 4K
- Nearly 100% of content available in VOD and Catchup
- Android TV with 3000 TV Apps

**Statistics**
- 46K users
- Total cost of €350k
- 400,000 Wi-Fi spots with unlimited Access for our Internet+Mobile customers
- 46K users
Summary

1. We enjoy a highly valuable, locally-rooted, high ARPU customer base and a superior brand recognition associated to quality

2. We have proved the ability to compete in the current competitive scenario, as well as commercial momentum and churn management in the Basque Country

3. We have implemented a unified commercial strategy to address churn in Galicia by replicating the successful strategy in Basque Country

4. We have sufficient room to grow ARPU through increase of product penetration

5. Our differential services vs. our competition will let us continue at the forefront of customer perception and recognition
Back to growth in business

Isidro Fernández de la Calle

Maintain our leadership in residential through best customer experience

Network ready for future excellence

Growth through expansion

Back to growth in business

Systems and processes unification: one company, local brands
Unified B2B strategy

1. **Large accounts**
   - **Objective**: Increase revenue
   - **Strategy**:
     - Enhance current clients value with services (Wi-Fi, cloud, digital transformation)
     - New clients acquisition
   - **Action plan**:
     - Extend cloud and Wi-Fi portfolio to the whole group
     - Alliances (e.g. Microsoft)
     - Digital transformation projects (IoT, big data, RPA)
   - **Operating data**:
     - #clients: ~600
     - Revenue: €69m
     - % business revenue: 36%

2. **SMEs**
   - **Objective**: Gain new clients
     - **Strategy**:
       - Increase market share in current footprint
       - New clients through indirect access in current footprint
       - ARPU increase via VAS
   - **Action plan**:
     - Standardize product offering throughout the group
     - Tackle our weak links
     - Add new VAS
     - Launch indirect FTTH
   - **Operating data**:
     - #clients: ~14,000
     - Revenue: €36m
     - % business revenue: 19%

3. **SoHo**
   - **Objective**: Defend our current position
     - Grow through expansion
   - **Strategy**:
     - Expansion
     - Development of ARPU
     - Retention and loyalty build-up of clients through new services
   - **Action plan**:
     - Indirect FTTH access
     - Expansion plans
     - New offer and focus on current portfolio
   - **Operating data**:
     - #clients: ~100,000
     - Revenue: €87m
     - % business revenue: 45%
We know how to deal with large accounts

We have a loyal customer base...

Selection of loyal B2B clients

<table>
<thead>
<tr>
<th>Client</th>
<th>Years of relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>edp</td>
<td>15</td>
</tr>
<tr>
<td>mutualia</td>
<td>13</td>
</tr>
<tr>
<td>Lactaia</td>
<td>13</td>
</tr>
<tr>
<td>ABANCA</td>
<td>12</td>
</tr>
<tr>
<td>CIE Aluminios</td>
<td>12</td>
</tr>
<tr>
<td>KIROLBET</td>
<td>9</td>
</tr>
<tr>
<td>Xunta de Galicia</td>
<td>9¹</td>
</tr>
<tr>
<td>ferrovial services</td>
<td>8²</td>
</tr>
<tr>
<td>INDITEX</td>
<td>5</td>
</tr>
</tbody>
</table>

... and we continue to gain and renew top clients

Note:
1. Renewed in 2017
2. Renewed in 2016
Our services can be offered everywhere: case study

Customer need

- Multi-brand catering, in the sectors of Fast Food, Casual Dining and Traditional Food
- Headquartered in Madrid, 465 premises in Spain, and a total of 5 contact centers in Madrid, Catalunya and Comunidad Valenciana
- # of employees: 14,200
- Revenue 2016: €500m

Problematic

- The client required a full communication services offer, including voice, data solution, datacenter management and unified Wi-Fi services

Our adapted offering

- **Voice and data solution**, to support the premises of all Spain, both main and backup communications
- **Main and backup** circuits between headquarters and external **datacenter**
- **Intelligent voice platform** enabling a better service at the contact center
- Development of **Wi-Fi solutions** for different brands

Ongoing project:

- **TV channel development for a chain of restaurants**

Service rendering billing for 2017: €700,000
LA: Growth driven by client growth and innovative product offering

Our objective: continue growing on the back of new products

Contracted revenue
New products

Expected extensions

Room for improvement sharing best practices

Cloud revenue by region (€m)

Cloud revenue potential

Potential growth in cloud revenue to be aligned

New product offering

Wi-Fi as a service
100% managed Wi-Fi service with no investment
Client Wi-Fi synergies
Over 350,000 daily users
Over 400,000 APs

Process automatization

Big Data + IoT

2017 2018 2019

1
Large Accounts

0.8
1.0

0.8
1.0
Hybrid cloud: case study

Customer need

- One of the largest canneries in the world, with presence in over 9 countries
- Headquartered in Galicia, 3 externalized data centers (2 in Spain and 1 in Brazil)
- # of employees: 4,300
- Revenue 2016: €576m
- In need of integrated tools typical of a company with logistics activity such as datacenter, international communications and security services

Our adapted offering

- Voice IP international solution and telephone office management
- Data coverage for the whole group
- Data center management
- Security service with a Virtual Firewall
- Corporate Wi-Fi service for national and international premises
- Corporate email based on Office 365

Ongoing project:
- Hybridization with Azure’s platform

Service rendering billing for 2017: €230,000
Growth driven by client growth and value-add products and services

Market shares across SME segment to be balanced

<table>
<thead>
<tr>
<th>Achievable growth</th>
<th>Potential increase in clients via indirect access</th>
<th>Clear potential to increase ARPU</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>45%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Covered by competitors</td>
<td>~30,000</td>
<td></td>
</tr>
<tr>
<td>13%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Best Practice</td>
<td>~69,000</td>
<td></td>
</tr>
<tr>
<td>32%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average market share</td>
<td>~12,300</td>
<td></td>
</tr>
</tbody>
</table>

~€15m potential new revenue if best practice is reached

Over 110,000 potential new clients through indirect access

Additional value add services to increase future ARPU

Covered by competitors

R-Cable
Market share at 45% and churn < 10%

Today → Simple and basic access

Tomorrow → Additional value add services

~32%

13%

45%

100%
SMEs: Addressing customer needs proactively

What if a client requires symmetry?

Combined offer

- FTTH
- HFC

Higher value add

Symmetry

Mobile connectivity

**Renegotiation of host agreement to align data offering to current market conditions**

- 2015
- 2017

- 100% availability
- Best latency
- Z5: over 90% cost reduction
- Eurotariff: over 75% cost reduction

Our current agreement covers 80% of worldwide roaming traffic

2015 vs 2017

- Euro tariff
- Z5
New approach to SoHo

Before

Same offer as for Residential

Now

New adapted offer including Value Added Services

Increase ARPU

Reduce churn

Examples of new product offering based on each target segment

Solución Profesional
Office 365 €12.90
Wi-Fi pro €9.90
Promo TV €14.90

Solución Comercio
3OllosR €10.90
Wi-Fi pro €9.90

Solución Negocio Sala

Solución Horeca
3OllosR €10.90

Combo X – €69

• Fixed Line (optional)
• 200Mbs Broadband speed
• Unlimited calls + 10GB
• Professional maintenance
• Fax IP
• Additional SIM
• Multiring
• Shared voicemail
• Takeaway data – 10GB

Note:
1. Included in every solution
SoHo strategy will mirror B2C but incorporate additional VAS to drive up ARPU and loyalty.

1. Re-formulated growth strategy aiming to deliver tangible results by cross-fertilisation of practices among regions and a renewed commercial approach.

2. Large Accounts and SME upselling through newly launched VAS that are already proving traction among customers.

3. We have proactively addressed symmetry and international mobility issues to offer a competitive proposition.

4. Our products and solutions ready to serve clients outside current footprint.

5. SoHo strategy will mirror B2C but incorporate additional VAS to drive up ARPU and loyalty.
Network ready for future excellence

CTO
Norberto Ojinaga

Maintain our leadership in residential through best customer experience

Back to growth in business

Network ready for future excellence

Growth through expansion

Systems and processes unification: one company, local brands
**Network strategy focused on customer excellence**

### Unparalleled coverage, quality and recognition…

<table>
<thead>
<tr>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>c.80% coverage</td>
</tr>
<tr>
<td>Access to high capillarity areas</td>
</tr>
<tr>
<td>&gt; 400k Wi-Fi client hotspots</td>
</tr>
<tr>
<td>100% Docsis 3.0</td>
</tr>
</tbody>
</table>

### Quality of service

<table>
<thead>
<tr>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fail-safe architecture</td>
</tr>
<tr>
<td>Less than 500 HH per node</td>
</tr>
</tbody>
</table>

### Recognition

<table>
<thead>
<tr>
<th>Recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consistently top ranked by Netflix Indicator</td>
</tr>
</tbody>
</table>

### … fully prepared for future challenges

<table>
<thead>
<tr>
<th>Symmetry and capacity growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Symmetry no longer a threat</td>
</tr>
<tr>
<td>Capacity addressed through targeted upgrades</td>
</tr>
<tr>
<td>Full Docsis 3.1 roll-out by end 2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expansion and access strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited capex requirements for network upgrade and expansion</td>
</tr>
<tr>
<td>Agreement with Orange minimising network upfront investments</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Superior experience in mobility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attractive terms of mobile host agreement ensuring sufficient headroom to absorb data growth</td>
</tr>
<tr>
<td>c.15% of 4G traffic channeled through our own 4G network</td>
</tr>
<tr>
<td>Own 4G network</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Synergies execution on track</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detailed roadmap of synergies to be delivered by 2018, and beyond</td>
</tr>
</tbody>
</table>
Our network has a unparalleled coverage and recognition

September 2017 Netflix indicator

Coverage to c.87% of households
Cable-modems: 269k
Wi-Fi spots: 187k
STB: 180k

Coverage to c.52% of households
Cable-modems: 193k
Wi-Fi spots: 132k
STB: 135k

Coverage to c.73% of households
Cable-modems: 114k
Wi-Fi spots: 104k
STB: 50k

Source: Netflix monthly indicator
Symmetry no longer a threat and capacity addressed through targeted upgrades

Broadband traffic evolution

Growth (%)

Roadmap

Before

Now

Future

DOCSIS 3.0

DOCSIS 3.1

FTTH

Phase 1

Phase 2

Downstream Capacity

Upstream Capacity

Docsis 3.1 development by region

50% already deployed

100% to be assigned

50% to be assigned

100% already assigned

100% deployed by end 2018
Access and expansion with limited capex requirements

Our strategy: “smart capex”

<table>
<thead>
<tr>
<th>Technologies</th>
<th>Uls - HH</th>
<th>Capex / opex</th>
</tr>
</thead>
<tbody>
<tr>
<td>Docsis 3.1 Phase I</td>
<td>2,200,000</td>
<td>€10-15m</td>
</tr>
<tr>
<td>Indirect FTTH access</td>
<td>On B2B demand</td>
<td>Low (mainly Opex)</td>
</tr>
<tr>
<td>FTTH Infill expansion: (own network)</td>
<td>80,000</td>
<td>€10m</td>
</tr>
<tr>
<td>New regions: Indirect FTTH access</td>
<td>150,000 (mutualised)</td>
<td>€10m</td>
</tr>
<tr>
<td>350,000 (indirect access)</td>
<td>Low (mainly Opex)</td>
<td></td>
</tr>
<tr>
<td>Total expansion capex estimate</td>
<td>€20m¹</td>
<td></td>
</tr>
</tbody>
</table>

Comparison of economics

Unitary capex per household (€)

- €120
- €60
- €5-7

Note:
1. Includes only network access capex
Superior experience in mobility with unrivalled on-street Wi-Fi intake

Mobile traffic evolution

Wi-Fi traffic evolution

- MAX input
- MAX output
- Growth (%)

- Basque Country
- Galicia
- Growth (%)

Source: Company information
Note:
1. Mobile traffic based on Euskaltel data consumption

- c.15% of total 4G traffic offloaded to our own 4G network
- c.50% of our mobile lines use our own 4G network

Wi-Fi everywhere as a loyalty element reducing churn
## Synergies execution on track

<table>
<thead>
<tr>
<th>Mobile Core</th>
<th>Fixed voice core</th>
<th>IP/MPLS Data</th>
<th>TV platforms</th>
<th>Datacenter</th>
<th>Additional synergies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Asturias – Own mobile core</td>
<td>2 - IMS Platform</td>
<td>3 - Agreement with provider</td>
<td>4 - Backend: live, VOD+OTT</td>
<td>5 - Storage and Backup Unified</td>
<td>6 - Unify Asturias mobile core</td>
</tr>
<tr>
<td>1 - Unify Euskaltel + R Cable – Voice and data</td>
<td>2 - SIP trunks &amp; IP centres migration</td>
<td>3 - Interconnection ring + POP Madrid</td>
<td>4 - Set of box unified Skipper 4K</td>
<td>5 - Computer Technology Unified</td>
<td>6 - Unify TV platform in Asturias</td>
</tr>
</tbody>
</table>

### Synergies plan on track and according to expected calendar

- **2017**
  - Mobile Core: Asturias – Own mobile core
  - Fixed voice core: IMS Platform
  - IP/MPLS Data: Agreement with provider
  - TV platforms: Backend: live, VOD+OTT
  - Datacenter: Storage and Backup Unified
  - Additional synergies: Unify Asturias mobile core

- **2018**
  - Mobile Core: Unify Euskaltel + R Cable – Voice and data
  - Fixed voice core: SIP trunks & IP centres migration
  - IP/MPLS Data: Interconnection ring + POP Madrid
  - TV platforms: Set of box unified Skipper 4K
  - Datacenter: Computer Technology Unified

- **2019**
  - Mobile Core: Unify Euskaltel + R Cable – Voice and data
  - Fixed voice core: SIP service, Virtual Fax, etc.
  - IP/MPLS Data: Interconnection ring + POP Madrid
  - TV platforms: Set of box unified Skipper 4K
  - Datacenter: Datacenter unification
  - Additional synergies: Unify TV platform in Asturias

### Progress Status
- **Already completed**
- **Under development**
Summary

1. Our network is fully prepared for the renewed challenges driven by market needs

2. Our approach to network expansion will be disciplined and focused on short pay-back periods ("smart capex")

3. Our cable network will be totally upgraded to Docsis 3.1 by the end of 2018 and FTTH will be deployed on a targeted basis

4. Fully upgraded 4G / Wi-Fi network to provide superior experience on mobility

5. Visible synergies on track to be delivered
Systems and processes unification: one company, local brands

Maintain our leadership in residential through best customer experience

Network ready for future excellence

Growth through expansion

Back to growth in business

Systems and processes unification: one company, local brands
Triggering elements and pillars

3 key elements triggering the need for the transformation to happen

1. Market context

2. Customer experience evolution

3. Acquisitions

New operating model based on 4 pillars

- Customers
  - e-Channels
  - Personalization

- Employees
  - Empowerment
  - New collaborative model

- Processes
  - One company with multiple local brands

- Products
  - Digitalisation
  - Time-to-market
Important benefits expected from IT Systems and Digital Transformation

Why a digital transformation and IT systems integration?

Market context
- Competition increase
- Customers’ expectations
- Digital transformation

Company context
- One company with 3 regional brands
- Consolidation efficiencies
- Integration

Benefits
- Best-in-Class & Unified Architecture (efficient architecture and "future-proof")
- Competitive Time-to-Market (new products, new functionalities, new business models)
- Operational efficiency (homogenization of processes, automation of operations)
- Commercial management improvement (management of opportunities, campaigns, commercial planning)
- Differential customer experience (customization, self-management, multi-channel)
- Cost efficiency (integration of the 3 companies)

Why a digital transformation and IT systems integration?
2 year plan (2018-2019) to digitalise and integrate IT systems

The digital IT systems and processes transformation is key for the successful execution of the 2017 – 2019 Strategic Plan.

Note:
1. IT savings from 2020 onwards
Summary

1. Unification: one company / three (or more) local brands

2. Common customer experience across regions and products

3. Digital future proof processes, architecture and client relationship

4. Tangible execution time-line with a defined set of objectives to be achieved by 2019
Growth through expansion

Maintain our leadership in residential through best customer experience

Network ready for future excellence

Back to growth in business

Systems and processes unification: one company, local brands

Growth through expansion
Expansion strategy

Market shares across all segments to be balanced

Pillars of the expansion strategy

1. Disciplined
2. Value-accretive
3. Fast time-to-market
4. Ability to leverage brand equity
5. Consistent with overall strategy

Expansion plan will add over 500,000 households
A two-fold approach

Two-fold strategy

Infill projects
- Agreement with Orange
- Targeted deployment (FTTH – HFC)
- Support from regional governments
- Limited competition in targeted areas

80,000 residential premises
6,200 enterprises

New regions
- Agreement with Orange (mutualised / indirect access model)
- Fast time-to-market
- Well-defined commercial plan

5 year roll out plan
Break-even in 2-3 years
Project IRR > 15%

Key details of the agreement with Orange
- Framework agreement with leading operator
- Flexible agreement in terms of:
  - Economics: Indirect (opex) vs. co-investment (capex)
  - Products and services
- Symmetric and up to 1 GB
- ICX services included
- No difference in customer experience
Why Navarra?

**Attitude towards Basque Companies**

- From Navarra: 18% Positive, 23% Neutral, 57% Negative
- From Basque Country: 15% Positive, 36% Neutral, 26% Negative
- From other areas of Spain: 59% Positive, 42% Neutral, 18% Negative
- From other countries of Europe: 79% Positive, 25% Neutral, 3% Negative

**Euskaltel brand awareness**

- Euskaltel's brand recognition: 8% Spontaneous, 11% Suggested, 82% Not known

**Ready to purchase**

- Total: 4% Ready to purchase
- From Navarra: 26%
- From Basque Country: 33%
- From other areas of Spain: 5%
- From other countries of Europe: 8%

Source: Company information
Preliminary household delivery calendar

January 2018

Households delivered
~ 78,500

Key regions:
- Pamplona
- Ansoain

December 2022

Households delivered
~ 150,000

Key regions:
- Tudela
- Estella / Lizarra
- Valle de Egüés
- Altsasu / Etxarri-Aranatz
- Huarte
- Burlada
- Zizur Mayor

Objective: ~ 150,000 households delivered by Dec-22
Sales & marketing plan

Key marketing initiatives

Sale channels
- Push & Pull
- Local salesforce

Products
- Euskaltel standard products
- Ad-hoc promotional campaigns

Media agreements
- Extend our Basque Country media agreements
- ATL & BTL campaigns

Public relationship program
- Public institutions
- Educational institutions
- Culture / sport

Store
Shopping Gallery
Pop Up Store
## Key targets

<table>
<thead>
<tr>
<th></th>
<th>2022E target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households delivered</td>
<td>~ 150,000</td>
</tr>
<tr>
<td>Clients</td>
<td>~ 30,000</td>
</tr>
<tr>
<td>Penetration</td>
<td>~ 20%</td>
</tr>
<tr>
<td>Investment</td>
<td>€10m (excluding SAC)</td>
</tr>
<tr>
<td>Payback</td>
<td>&lt; 6 years</td>
</tr>
<tr>
<td>Target IRR</td>
<td>&gt; 25%</td>
</tr>
</tbody>
</table>
Summary

1. Strong similarities between Navarra and Basque Country markets

2. Low capex requirements to launch Euskaltel brand in Navarra

3. Clear operational and commercial synergies with our ongoing business in the Basque Country
Financial performance and guidance

CFO
Jon Ander de las Fuentes
**Strong operational and financial profile while doubling size**

<table>
<thead>
<tr>
<th>Statutory figures</th>
<th>IPO (Mar-15)</th>
<th>FY2015</th>
<th>FY2016</th>
<th>Current (LTM 3Q17)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KPIs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3P / 4P (%)</td>
<td>57.6%</td>
<td>63.3%</td>
<td>65.8%</td>
<td>67.6%</td>
</tr>
<tr>
<td>Mobility (%)¹</td>
<td>53.3%</td>
<td>71.7%</td>
<td>77.2%</td>
<td>76.1%</td>
</tr>
<tr>
<td>ARPU (€²)</td>
<td>€55.7</td>
<td>€56.0</td>
<td>€58.4</td>
<td>€59.6</td>
</tr>
<tr>
<td><strong>Financial statements</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA (€m)</td>
<td>€156m</td>
<td>€167m</td>
<td>€281m</td>
<td>€290m</td>
</tr>
<tr>
<td>EBITDA Margin (%)</td>
<td>48.7%</td>
<td>47.8%</td>
<td>49.0%</td>
<td>49.5%</td>
</tr>
<tr>
<td>OpCF (€m)</td>
<td>€113m</td>
<td>€114m</td>
<td>€185m</td>
<td>€192m</td>
</tr>
<tr>
<td>OpCF margin (%)</td>
<td>35.1%</td>
<td>32.6%</td>
<td>32.2%</td>
<td>32.7%</td>
</tr>
<tr>
<td>Net income³ (€m)</td>
<td>€37m</td>
<td>€7m</td>
<td>€62m</td>
<td>€47m</td>
</tr>
<tr>
<td>EPS³ (€)</td>
<td>€0.29</td>
<td>€0.13</td>
<td>€0.72</td>
<td>€0.46</td>
</tr>
<tr>
<td>Eq. CF per share³ (€)</td>
<td>€0.69⁴</td>
<td>€0.23</td>
<td>€0.87</td>
<td>€0.76</td>
</tr>
</tbody>
</table>

**Notes:**
1. Mobile penetration as a percentage of fixed-line customers
2. For the residential segment
3. Statutory figures including extraordinary and non-recurrent elements
4. EqCF per share at IPO calculated as of 31-Dec-2014

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63
Value-accretive M&A delivered

R Cable

- **Announcement date**: Jul-15
- **EV/EBITDA**: 9.2x
- **Delta vs. market average**: 0.4x below market average
- **Synergies a % of total opex and capex**: ~5%
- **Leverage PF transaction**: ~5.1x
- **EqCF Accretion (fully phased synergies)**: >15%

Telecable

- **Announcement date**: May-17
- **EV/EBITDA**: 8.5x
- **Delta vs. market average**: 1.3x below market average
- **Synergies a % of total opex and capex**: ~4%
- **Leverage PF transaction**: ~4.5x
- **EqCF Accretion (fully phased synergies)**: >6-7%

**R Cable OpCF (€m) and cash conversion (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>OpCF (€m)</th>
<th>Cash Conversion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014A</td>
<td>58</td>
<td>23.8%</td>
</tr>
<tr>
<td>2015A</td>
<td>53</td>
<td>21.4%</td>
</tr>
<tr>
<td>2016A</td>
<td>71</td>
<td>28.3%</td>
</tr>
<tr>
<td>3Q 2017 LTM</td>
<td>82</td>
<td>33.4%</td>
</tr>
</tbody>
</table>

**Source** Company information, Factset

**Note:**
1. EV/EBITDA calculated as EBITDA last financial year pro forma for fully phased opex synergies
2. Delta versus market average based on Telenet, Com Hem, Telecolumbus and Liberty Global at the time of the transaction for R Cable (9.6x) and current market multiples for Telecable (9.8x)
3. Based on synergies level announced at the time of the transaction and PF combined figures based on latest historical (Dec-14 for R Cable and Dec-16 for Telecable) excluding implementation costs
Strong support from debt and equity capital markets

- Pre-IPO
- IPO + Debt refinancing
- R Cable acquisition + Debt refinancing
- Repricing of the institutional tranche
- Commercial paper¹
- Acquisition of Telecable
- Debt refinancing

Total debt (€m)
- Pre-IPO: €500m
- IPO + Debt refinancing: €900m
- R Cable acquisition + Debt refinancing: €840m
- Repricing of the institutional tranche: €255m
- Commercial paper¹: Up to €200m
- Acquisition of Telecable: €437m
- Debt refinancing: €835m

Total equity placed (€m)
- Pre-IPO: €840m
- IPO + Debt refinancing: €255m
- R Cable acquisition + Debt refinancing: €250m

Average cost of debt and Leverage:
- Dec-14: 5.5% 1.5x
- Jun-15: 3.5% 2.7x
- Nov-15: 3.5% 4.6x
- Sep-16: 3.2% 4.4x
- Jun-17: 3.1% 4.3x
- Jul-17: 3.0% 4.6x
- Current: 2.8% 4.6x

Source: Company information
Note: 1. Commercial paper issued as of Mar-17
Proforma revenue and outlook

Proforma revenue evolution

<table>
<thead>
<tr>
<th>Year</th>
<th>Residential</th>
<th>Business</th>
<th>Wholesale and other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015A</td>
<td>460.0</td>
<td>206.0</td>
<td>44.4</td>
</tr>
<tr>
<td>2016A</td>
<td>476.1</td>
<td>202.2</td>
<td>36.9</td>
</tr>
<tr>
<td>3QLTM 2017</td>
<td>478.5</td>
<td>191.6</td>
<td>36.9</td>
</tr>
</tbody>
</table>

Revenue outlook

- **Stable - Low single digit revenue growth**
- **Residential**
  - Stable net subscriber evolution preserving current market share
  - Target churn below 14% amid implementation of specific measures in Galicia and Asturias
  - ARPU growth linked to attractive value proposals
    - Increase 3P&4P penetration in existing customer base
    - New services will include
      - Increase mobile offering and penetration in Asturias
      - Improved TV functionalities and 4K Deco
      - New products penetration: Home connectivity, on-street Wi-Fi...
  - Revenue of new regions to amount for 5% of total revenue by 2022
    - Around 10-15% subscriber penetration over targeted new regions

- **Business**
  - SoHo will mirror similar trends than residential
  - Renewed commercial push in SMEs and LA targeting to drive superior growth rates than residential over the medium term
    - Penetration of hybrid-cloud, security, big data and alliances
  - Targeted commercial offering in new expansion areas

Source: Company information

Note:
1. Change of accounting method in 2016: revenue without margin no longer accounted for (2015 revenue without margin included in €713m revenue at €9.3m)
Proforma Gross margin and EBITDA outlook

**Proforma gross margin outlook (€m)**

<table>
<thead>
<tr>
<th></th>
<th>2015A</th>
<th>2016A</th>
<th>3QLT 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin as a % of sales (%)</td>
<td>69.8%</td>
<td>67.4%</td>
<td>64.2%</td>
</tr>
<tr>
<td></td>
<td>70.8%</td>
<td>71.9%</td>
<td>75.2%</td>
</tr>
<tr>
<td></td>
<td>75.4%</td>
<td>78.9%</td>
<td>78.5%</td>
</tr>
<tr>
<td></td>
<td>72.8%</td>
<td>74.7%</td>
<td>74.8%</td>
</tr>
</tbody>
</table>

**Proforma EBITDA outlook (€m)**

<table>
<thead>
<tr>
<th></th>
<th>2015A</th>
<th>2016A</th>
<th>3QLT 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA margin</td>
<td>44.1%</td>
<td>46.8%</td>
<td>45.0%</td>
</tr>
<tr>
<td></td>
<td>46.8%</td>
<td>48.2%</td>
<td>46.8%</td>
</tr>
<tr>
<td></td>
<td>47.3%</td>
<td>48.3%</td>
<td>49.5%</td>
</tr>
<tr>
<td></td>
<td>48.1%</td>
<td>49.6%</td>
<td>49.5%</td>
</tr>
</tbody>
</table>

- **Efficient management of Content and ITX costs driving gross margin over 75% in the medium term**
- **TV strategy focused on functionality and customer experience with disciplined approach to new content investment**
- **Sufficient data allowances under current host agreements to mitigate ITX costs growth**
- **Integration synergies and structure optimisation driving EBITDA margin c.50% in the medium term**
- **Renewed commercial effort in brand equity and expansion**
- **Unified organisation leading to leaner and more flexible operations**
- **Systems integration, network management and talent management driving structure optimisation**
Proforma capex, capex breakdown and outlook

**Proforma capex**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Capex (as a % of sales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015A</td>
<td>131.7</td>
<td>18.5%</td>
</tr>
<tr>
<td>2016A</td>
<td>121.1</td>
<td>16.9%</td>
</tr>
<tr>
<td>3QLTM 2017</td>
<td>120.9</td>
<td>17.1%</td>
</tr>
</tbody>
</table>

**Capex breakdown and outlook**

- **Business as usual capex**
  - < 17% revenue

- **Business integration and strategic projects investments**
  - €20m - €25m (2018 - 2019 accum.)

- **Footprint expansion investments**
  - €20m (excluding SAC) (2018 – 2019 accum.)

**Source** Company information

- Recurrent capex to remain in the 16-17% revenue range once platform integration has concluded
- Business as usual capex expected to remain below 17% of revenue
- Additional extraordinary capex to be incurred in 2018-2019 period corresponding to business integration, strategic projects and footprint expansion investments
Cash flow and EBIT bridge

PF OpCF and EBIT bridge LTM 3Q 2017

Outlook

OpCF margin in 2018 – 2019 affected by extraordinary elements but expected to converge to 30% in the medium term

D&A impacted by the PPA amortisation of Telecable
Capital structure and distribution policy

Our robust deleveraging capacity ...

... and the balanced maturity profile...

... reinforces our announced financial and distribution policy

<table>
<thead>
<tr>
<th>Source</th>
<th>Company information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note:</td>
<td>1. 2015 leverage based on adjusted 2015 annual EBITDA of Euskaltel (€158.1m) and R Cable (€108.6m) excluding potential synergies 2. Maturity profile displayed is post 3Q 2017, including the €835m refinancing announced on November 10th 2017 3. Leverage including fully phased synergies</td>
</tr>
</tbody>
</table>
Closing remarks

CEO
Francisco Arteche
**Closing remarks**

**Residential**
- Deliver an attractive and competitive offering in a new competition scenario
- Address churn issues in Galicia and Asturias
- Re-boost brand equity

**Best customer experience while maintaining our leadership in residential**
- CEX (Customer Experience) at our DNA
- Brand investment to promote attachment
- End to end best broadband and TV experience

**Back to growth in B2B**
- Unified commercial strategy
- A reality of new products and services
- Smart alliances
- Global reach

**Network ready for future excellence**
- CEX driving network strategy
- Efficient access and roll-out
- Superior experience on mobility
- Addressing symmetry needs
- Tangible synergies

**Platform integration and digitalisation**
- One company, multiple local brands
- Digital-future proof organisation

**Targeted expansion to boost growth**
- Infill expansion and new regions
- Fast time-to-market and brand recognition
- Strategy combining own and indirect access

**Cash flow**
- Develop a smart capex strategy
- Balance cash flow optimization with value-accrative growth projects

**B2B**
- Demonstrate our readiness to compete in a transforming ICT market
- Implement an unified B2B strategy

**Communication**
- Visibility on mid-term strategy
- Performance traceability

**Residential**

**Back to growth in B2B**

**Platform integration and digitalisation**

**Targeted expansion to boost growth**

**Cash flow**

**B2B**

**Communication**
Thank you for your support