Euskaltel – 1H15 update and R Cable transaction

28 July 2015
Strong momentum across our residential KPIs

### Inflexion point in Residential subs

<table>
<thead>
<tr>
<th>Residential subs⁽1⁾ ('000)</th>
<th>3P &amp; 4P % of total subs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>32.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>3P</th>
<th>4P</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>306</td>
<td>298</td>
</tr>
<tr>
<td>2013</td>
<td>296</td>
<td>295</td>
</tr>
<tr>
<td>2014</td>
<td>295</td>
<td>301</td>
</tr>
<tr>
<td>1Q15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1H15</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
(1) Includes mobile-only subscribers
(2) RGU/sub calculated excluding mobile-only customers
(3) Residential fixed customers with mobile (excl. mobile-only) as percentage of total residential fixed subscribers

### Low and stable churn

#### Annual churn (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>1Q15</th>
<th>1H15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Churn</td>
<td>17.2%</td>
<td>14.8%</td>
<td>14.8%</td>
<td>14.8%</td>
<td>12.2%</td>
</tr>
</tbody>
</table>

(2.6pp) rise

### Significant ARPU rebound

#### Residential client ARPU (€/month)

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>1Q15</th>
<th>1H15</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARPU</td>
<td>54.3</td>
<td>53.3</td>
<td>53.8</td>
<td>55.2</td>
<td>55.5</td>
</tr>
</tbody>
</table>

(3.3x) rise

Notes:
(2) Residential mobile penetration
(3) RGU/Sub calculated excluding mobile-only customers
Residential growth and business segment stabilisation

Strong residential and SOHO momentum, improving trends in SMEs and Large Accounts

Substantial growth observed in the residential segment

Monthly Residential revenue growth (YoY)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1.4%</td>
<td>2.3%</td>
<td>2.6%</td>
<td>3.6%</td>
<td>3.4%</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

Stabilisation in Business Revenue

Monthly total Business revenue (YoY)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0.1%</td>
<td>0.1%</td>
<td>(2.1%)</td>
<td>(1.8%)</td>
<td>(4.3%)</td>
<td>(7.9%)</td>
</tr>
</tbody>
</table>

Accelerating growth momentum in SOHO

Monthly SoHo revenue growth (YoY)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(2.8%)</td>
<td>1.5%</td>
<td>1.9%</td>
<td>3.9%</td>
<td>4.7%</td>
<td>8.3%</td>
</tr>
</tbody>
</table>
**1H15 results in line with our expectations**

*Broad-based return to top-line growth and increased margins driving cash-flow*

<table>
<thead>
<tr>
<th></th>
<th>Growth vs. 1H14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>1.4%</td>
</tr>
<tr>
<td>Residential</td>
<td>3.3%</td>
</tr>
<tr>
<td>Business(^{(1)})</td>
<td>(2.7%)</td>
</tr>
<tr>
<td>Wholesale &amp; other</td>
<td>(2.5%)</td>
</tr>
<tr>
<td>EBITDA growth vs. 1H14</td>
<td>4.3(^{(2)})</td>
</tr>
<tr>
<td>EBITDA margin 1H15 (%)</td>
<td>47.0%</td>
</tr>
<tr>
<td>Cash conversion rate 1H15(^{(3)})</td>
<td>75.9%</td>
</tr>
</tbody>
</table>

**Notes:**

1. Includes SOHO, SMEs and Large Accounts
2. Excluding non-recurring IPO costs
3. Cash conversion defined as (EBITDA – capex) / EBITDA
### R integration delivers on consolidation strategy

*Transaction remains subject to satisfactory due-diligence and anti-trust approval*

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Acquisition of the second largest regional cable operator in Spain increasing our addressable market to c.5 million people</td>
<td>✔️</td>
</tr>
<tr>
<td>2</td>
<td>Attractive valuation creating value for shareholders (both at EPS and EqCF) as synergies are delivered</td>
<td>✔️</td>
</tr>
<tr>
<td>3</td>
<td>Increased size and scale should allow to deliver synergies in line with precedent cable transactions, resulting in an even more attractive valuation</td>
<td>✔️</td>
</tr>
<tr>
<td>4</td>
<td>Creation of distributable reserves at Euskaltel level to support future equity distributions to shareholders</td>
<td>✔️</td>
</tr>
<tr>
<td>5</td>
<td>Fulfils our ambition to drive regional cable consolidation in accordance to the strategy outlined during the IPO process</td>
<td>✔️</td>
</tr>
</tbody>
</table>
Revenue (€m)

R Cable is the fiber and convergence leader in Galicia

Dec-2014

<table>
<thead>
<tr>
<th></th>
<th>R Cable</th>
<th>Euskaltel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homes passed(^{(1)}) (‘000)</td>
<td>925</td>
<td>1,017</td>
</tr>
<tr>
<td>Residential fixed subs(^{(2)}) (‘000)</td>
<td>205</td>
<td>279</td>
</tr>
<tr>
<td>Residential ARPU(^{(3)}) (€)</td>
<td>61.4</td>
<td>55.5</td>
</tr>
<tr>
<td>Residential RGU/Sub(^{(4)}) (x)</td>
<td>3.4x</td>
<td>3.1x</td>
</tr>
<tr>
<td>Mobile penetration</td>
<td>70%</td>
<td>49%</td>
</tr>
<tr>
<td>Revenue (€m)</td>
<td>238</td>
<td>321</td>
</tr>
<tr>
<td>Comparable EBITDA (€m)</td>
<td>110(^{(5)})</td>
<td>156</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>46.2%</td>
<td>48.5%</td>
</tr>
<tr>
<td>OpFCF (€m)</td>
<td>62</td>
<td>114</td>
</tr>
<tr>
<td>OpFCF conversion (%)</td>
<td>56.9%</td>
<td>72.9%</td>
</tr>
</tbody>
</table>

Note:
(1) Includes residential homes passed and business premises (Euskaltel business premises as of 31-Mar-15)
(2) Excludes mobile only customers
(3) Fixed customers ARPU
(4) Residential fixed customers RGU/subs (excludes mobile only)
(5) Adjusted for non-cash accruals and SAC capitalisation

Regional cable operators in the north of Spain

Residential fixed subs: 205k
Pop.: 2.8m

Residential fixed subs: 279k
Pop.: 2.2m

Homes passed (‘000)

Residential fixed subs (‘000)

Residential ARPU (€)

Residential RGU/Sub (x)

Mobile penetration

Revenue (€m)

Comparable EBITDA (€m)

EBITDA margin (%)

OpFCF (€m)

OpFCF conversion (%)
Key operating data

2014 revenue breakdown (1)

- Residential: 34%
- Business: 66%

Subs by bundle (2014, %)

- Residential fixed: 34%
- 3P+4P: 35%
- 2P: 22%
- 1P: 9%

Notes:
(1) Excludes interconnection revenue
(2) Residential fixed customers RGU/subs (excludes mobile only)
(3) Residential fixed customers with mobile (excl. mobile-only) as percentage of total residential fixed subscribers
(4) Excludes datacards

Residential fixed subs evolution (’000)

- CAGR 12-14: 3.0%

- 2012: 193
- 2013: 206
- 2014: 205

Residential mobile penetration(3)

- 2012: 39.9%
- 2014: 70.1%
- CAGR 12-14: 8.7%

Total and mobile RGU evolution (’000)

- CAGR 12-14: 30.8%

- 2012: 812
- 2013: 916
- 2014: 962
Preliminary areas of synergies identified

1. Overall business processes re-engineering
2. Sharing of systems and technologies
3. Optimization of contractual relationship with suppliers
4. Better access and negotiation capacity on products, services and content
5. Harmonization of growth and investment strategy
6. Implementation of efficiencies, sharing of best practices and strengthening of human capital

**Direct costs**
- Mobile host costs
- Fixed interconnection costs
- TV content cost
- Purchasing

**Commercial costs**
- Sales channel mix
- E-Billing
- Customer care
- Media and communication

**Overhead/Structure costs**
- Headcount optimization
- Fixed network operations
- 4G / LTE operations
- IT and other administrative costs

**Capex**
- Sales channel mix
- New services
- Installation / home equipment
- 4G / LTE roll-out
- Network deployment
Key terms of the preliminary agreement

Summarised terms of the preliminary agreement signed with R Cable shareholders

Valuation: €1,155m (EV)
- Based on a pro forma run rate EBITDA of €105-110m that will be verified in due diligence
- Valuation multiple in line with Euskaltel EV/EBITDA (based on consensus)
- Preliminary Equity value of €852m based on June’s net debt of €303m
- Final equity value to be calculated based on actual net financial debt as of September 30th, 2015

Payment: In cash and newly issued shares to R Cable shareholders
- Based on current estimates of debt the preliminary equity consideration will consist of €600m in cash and the rest in newly issued shares
- New shares to be issued at VWAP between IPO date (July 1st) and latest unaffected closing price (set on July 23rd) resulting in €10.18 per share

New shareholders in Euskaltel
- Current R Cable shareholders will become shareholders in Euskaltel, holding a joint equity stake of c.17%
- Adequate representation on Euskaltel’s governing bodies to be granted
- 180 day lock-up since IPO will apply to both CVC and ABANCA

Exclusivity
- Agreed exclusivity period until September 30th, 2015 with a potential extension until October 15th, 2015 subject to maintaining the terms of the preliminary agreement

Conditionality of the Agreement
- Positive reciprocal confirmatory due diligence
- Execution of the required legal documentation
- Approval from both the Board of Directors and the Shareholders meeting in both companies
Financing structure

1. Financing of the transaction can be done within the existing financing agreements.

2. Headroom up to 5.5x combined EBITDA in the event of M&A leaves significant headroom.

3. Dividend restricted to ordinary dividends (100% pay-out) when leverage between 4.0x to 4.5x EBITDA; no dividends above 4.5x leverage.

4. Alternative financing arrangements may be considered to the extent they are sufficiently attractive.

5. Starting leverage expected at 5.2x based on current estimates of net debt and EBITDA but below 5.0x already by YE 2015 (excluding synergies).
## Expected calendar of the transaction

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Tentative dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Due-Diligence process</td>
<td>3Q15</td>
</tr>
<tr>
<td>2  Preparation of combined BP</td>
<td>3Q15</td>
</tr>
<tr>
<td>3  Preparation, negotiation and execution of all legal documentation</td>
<td>3Q15(1)</td>
</tr>
<tr>
<td>4  Shareholders approval</td>
<td>4Q15</td>
</tr>
<tr>
<td>5  Antitrust clearance</td>
<td>4Q15</td>
</tr>
<tr>
<td>6  Expected closing</td>
<td>4Q15</td>
</tr>
</tbody>
</table>

Note:
(1) Potential extension up to October 15th, 2015 subject to maintaining the terms of the preliminary agreement
Closing remarks

1. Strong continuous 1H15 momentum

2. Results in line with expectations

3. Value accretive R Cable transaction in line with stated consolidation strategy
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This Presentation contains financial information derived from Euskaltel’s unaudited financial statements for the six-month periods ended June 30, 2014 and June 30, 2015, as well as certain unaudited pro-forma financial information of the combined entity resulting from the combination of R Cable with Euskaltel. None of this financial information has been audited by our auditors.

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