

Shareholders back Euskaltel Group's management and approve the 2016 annual accounts and dividend distribution

Euskaltel's General Shareholders' Meeting approves the acquisition of Telecable

- *The General Shareholders' Meeting gives the go-ahead for the acquisition of Telecable, the leading operator in Asturias, acquiring 100% of share capital from Zegona.*
- *The Euskaltel Group consolidates its position as the leading convergent telecommunications operator in the north of Spain.*
- *This acquisition is a strategic move for the Euskaltel Group, enabling the objective of consolidating cable services in the north that was set during the flotation process to be met.*
- *The Euskaltel Group will now provide services to a market comprising 6 million people, with 2.4 million services delivered every day to over 800,000 customers and consolidated revenue of €711 million, EBITDA at €346 million and cash flow of €224 million.*
- *Francisco Arteche, Euskaltel's CEO, has emphasised the Group's strong cash generating capacity, enabling a dividend payout of €0.36 per share to shareholders, which represents a return of over 4%. A total of €54.6 million will be paid in dividends.*
- *Shareholders back the Board of Directors' management and approve the 2016 annual accounts and dividend distribution.*
- *The General Meeting has also approved the appointment of three new directors: Luis Ramón Arrieta, who joins the board as a proprietary director to replace Alfonso Basagoiti, Robert Samuelson, a proprietary director proposed by Zegona, and Jon James as independent director.*
- *The social value generated by Euskaltel in 2016 was €318.1 million, relating to the value generated by the organisation for society as a whole, including the value created by the company through its own business activity and also the value distributed outside the market.*

- **To show that CSR is linked to the company model, in May 2016 the Group's (Euskaltel and R) corporate social responsibility policy was approved, aiming to create value for stakeholders.**
- **The Group confirms the forecast growth in profitability, enabling the Group to maintain a "sustained and growing" shareholder remuneration policy.**

Bilbao, 26 June 2017. Euskaltel Group's shareholders have approved the acquisition of Telecable at the ordinary general shareholders' meeting held this morning at the Group's headquarters in Derio (Bizkaia). At this meeting, the company's highest decision-making body approved by majority the proposals put forward, which included confirming the acquisition of Telecable, approving the share capital increase required for this transaction, approving the distribution of dividends to shareholders, approving the 2016 annual accounts and appointing new directors.

By approving the acquisition of Telecable, the main operator in Asturias, the objective set by Euskaltel following its flotation on the stock market to become the leading convergent operator in the north of Spain has been met. This acquisition is a completely strategic move, involving the integration of the three most important convergent operators in the north of Spain into the same Group.

From a financial perspective, consolidating results increases the Group's revenue to €711 million (+24%), with Ebitda at €346 million (+23%, with a 48.6% margin on sales) and cash flow of €224 million (+21%, with a 31.5% margin on sales), maintaining one of Europe's highest cash generating ratios in the industry. The resulting group will hold on to the local character of Euskaltel, R and Telecable in the Basque Country, Galicia and Asturias, respectively, allowing for the continuity of their brands and professional teams.



Alberto García Erauzkin

"In just over two years, three major challenges have been met: the company's IPO, creating the leading telecommunications group in the north of Spain following the integration of R in Galicia in 2015 and the forthcoming integration of Telecable in Asturias, and a solid shareholder remuneration policy through the distribution of dividends".



Alberto García Erauzkin, Chairman of the Euskaltel Group, noted that the acquisition of Telecable is a new milestone in Euskaltel's history, completing the significant consolidation of cable services in the north of Spain. *"In just over two years, three major challenges have been met: the company's IPO, creating the leading telecommunications group in the north of Spain following the integration of R in Galicia in 2015 and the forthcoming integration of Telecable in Asturias, and a solid shareholder remuneration policy through the distribution of dividends".*



García Erauzkin added that this milestone and its related actions “clearly demonstrate our commitment, reinforcing our quest to add value to investors, offering the latest products and services to our customers and professionally developing and motivating our human resources, while generating wealth and promoting economic, social and technological development in the communities we operate in through R in Galicia, Euskaltel in the Basque Country and, soon, Telecable in Asturias”.

Francisco Arteche, the Group's CEO spoke positively of Telecable joining the Euskaltel Group, “meeting the objective set by Euskaltel following its flotation on the stock market of becoming the leading convergent operator in the north of Spain. Telecable's contribution to the new Group will represent around 15% of its business. This acquisition is a completely strategic move for Euskaltel, due to the complementary nature of both assets and the high level of synergies expected once the transaction is completed”.

“

Francisco Arteche

“Telecable's contribution to the new Group will represent around 15% of its business. This acquisition is a completely strategic move for Euskaltel, due to the complementary nature of both assets and the high level of synergies expected once the transaction is completed”.

”

Euskaltel and R maintain their market shares

The General Shareholders' Meeting has approved the Group's annual accounts for 2016, the first full year in which the R transaction was consolidated. Francisco Arteche, the Group's CEO has emphasised the positive business progress made during the year, with sales up 1.3% to reach €573 million.

Arteche stressed that “from an organisational perspective, the inclusion of R and its human resources and infrastructures has been a great opportunity to mutually enhance operations in both territories, taking the best of each organisation to drive the overall improvement of the Group. Business activities in Galicia represent 44% of sales achieved by the Group comprising Euskaltel and R. In terms of the audited accounts, by acquiring R we have seen a 64% increase in revenues, a 68% increase in EBITDA and a 62% increase in cash generating capacity”.

We have faced particularly fierce competition in the last few years with the growing presence of alternative networks in the areas in which Euskaltel and R operate, but Ebitda rose to €281 million, an increase of 5.1% compared to the previous year, with a 49% margin on sales.

This progress demonstrates the success of managing operating costs and the efficiency measures implemented in prior years. “Despite the significant commercial and promotional pressure of our competitors, the Group has managed to keep market



shares in the Basque Country and Galicia steady, reflecting the resilience and strength of our brands, which are seen by customers as caring and high quality, and which are key drivers that set us apart in the market”, stressed Arteche.



Francisco Arteche

“Despite the significant commercial and promotional pressure of our competitors, the Group has managed to keep market shares in the Basque Country and Galicia steady, reflecting the resilience and strength of our brands, which are seen by customers as caring and high quality, and which are key drivers that set us apart in the market”.



Strategy-based results

Arteche noted that the Group's strong performance in 2016 is the result of the foundations upon which Euskaltel's strategy is based, *“which were announced in the IPO and which I have personally committed to since I took up my role as CEO”.*

As he stated in his speech to the General Shareholders' Meeting, the Euskaltel Group's strategy is to *“maximise the long-term value of our customer base by increasing the products sold to households and companies, migrating customers to better products and attracting new customers with high-value digital services and bundles”.*

Furthermore, the Group's strategy aims to *“reinforce our lead position in Galicia and the Basque Country, which is based on a strong brand, a larger network and proximity to our customers”.* The Group's strategy is to complete the synergies arising from R's integration and to continue exploring new opportunities for consolidation. This strategy has led to the purchase of the Asturian operator approved today by the general meeting.

Lastly, the Group needs to *“continue to be financially disciplined”*, maximising ARPU, cash flow and EBITDA and optimizing Capex, *“so that shareholders can be paid with cash generated by us, holding debt at a reasonable ratio of between 3-4 times EBITDA”.*

Dividend of €0.36 per share with a return of over 4%

Operating cash flow, defined as the difference between EBITDA and investments (capex), increased 12.7% to €185 million, reaching a margin of 32% on revenues compared to the average 21% of comparable European players.

“This outstanding cash generating capacity will enable us to pay our shareholders for the first time with a €0.36 dividend per share or, in other words, with a return per share of over 4%”, explained the Group's CEO.



It is important to note that Euskaltel's Board of Directors agreed in October to pay an interim dividend against 2016 results for a gross amount of €0.15 per share, which amounts to €22.7 million and was paid out on 1 February 2017. Subsequently, and as a result of the foregoing, the Board of Directors agreed to submit to the General Shareholders' Meeting the approval of a complementary dividend of €0.21 per share, amounting to €31.8 million, which will be paid out during July on the date agreed at the meeting of the Board of Directors to be held immediately after the general shareholders' meeting.

This means that the total amount of the first dividend paid out by Euskaltel amounts to €54.6 million.

At the same time, the business has reduced its leverage by almost 1 time EBITDA this year, reducing the debt/EBITDA ratio from 5.1 to 4.2 times, closing in on the objective set of between 3-4 times EBITDA.

“

Francisco Arteche:

“This outstanding cash generating capacity will enable us to pay our shareholders for the first time with a €0.36 dividend per share or, in other words, with a return per share of over 4%”.

”

Digitalisation is key to growth

According to Alberto García Erauzkin, during 2016 the Group has made significant strategy progress *“as a result of which we can confirm that our business is now more valuable and diversified, generating returns for shareholders and creating substantial social value for our surrounding environment”.*

“When we look at the present and near future, - continued the chairman - Euskaltel is certain that the company will continue to implement its value strategy in 2017, despite fierce competition. Looking to the future, we are convinced that the gradual digitalisation of society, the economy and business is the key to our ongoing competitiveness and growth. We believe that our proximity to customers and the links forged over years working in the telecommunications industry put us in a strong position to make the most of this opportunity and to grow by expanding the services we provide whilst strengthening links with our customers”.

New added-value products and services for customers

With regards the initiatives to be tackled in the coming months, Arteche announced that the Euskaltel Group will intensify the commercial launches of initiatives and new value propositions on the market, which *“are the first steps in our strategy to strengthen our commitment to customer care, listening and responding to customer needs and speeding up innovation in our products and services”.*



In addition to other initiatives to be announced during the second half of the year, these launches include:

- the launch, in July, of a new 4K Android TV-based decoder “which will universalize smart TV in households in the Basque Country and Galicia”.
- the “connected-home” services available in Galicia since March, which will be launched in the Basque Country shortly.
- a significant upgrading of telecommunications networks, meaning that 40% of the Basque Country network is now ready to work with Docsis 3.1.
- the innovative “Wifi vacaciones” campaign, launched today, which will enable Euskaltel customers to take their Wifi on holiday with them.
- the launch of bundled solutions for small and medium sized companies, including the office bundle in August (contains switchboard, firewall, etc.).
- the launch of the Start Ups Euskaltel and Start Ups R initiative, which will give Basque and Galician start-ups free access to telecommunications and IT services.
- the deployment of Euskaltel's FTTH networks, which will be available to over 4,500 Basque companies.

“We start writing the future, today”

Concluding his speech, the Group's chairman confirmed that 2016 was an important year for two main reasons. *“Firstly, we have consolidated our market leadership with solid growth in revenues, customers, results and cash generation and with the successful integration of R to the Euskaltel Group in Galicia; secondly, we have taken the first steps towards an ongoing commitment to rewarding shareholders with the first payout of dividends, just one year following the start of our journey as a listed company”.*

“

Alberto García Erauzkin

“The acquisition of Telecable is a memorable milestone, concluding the significant consolidation of cable services in the north of Spain. A success story based on the continuous implementation of our strategy and meeting the expectations of our stakeholders. We start writing the future, today, and we're ready to write the best possible future possible”.

”

In terms of 2017, he stated that *“the acquisition of Telecable is a memorable milestone, concluding the significant consolidation of cable services in the north of Spain. A success story based on the continuous implementation of our strategy and meeting the expectations of our stakeholders. We start writing the future, today, and we're ready to write the best possible future possible”.*



Francisco Arteche ended his speech with a confident message about the future of the Group made up of Euskaltel, R and Telecable, confirming the company's growth forecasts. *"I can confirm that we stand by our forecast and objective for the year, which means to consolidate growth in terms of EBITDA margin and cash flow, enabling us to maintain our sustained and growing shareholder remuneration policy"*.

The Group's new directors

During the General Shareholders' Meeting, agreement was reached on new members of the Group's Board of Directors. Approval was given for the appointment of Luis Ramón Arrieta, who takes over from Alfonso Basagoiti upon expiry of his term of office, and Robert Samuelson as proprietary directors, and Jon James as independent director.

- **Luis Ramón Arrieta** (1957, Maeztu-Álava). Luis has a degree in chemistry from Universidad de Valladolid and a PhD in financial economics from Universidad Autónoma de Madrid. He has rounded off his training with courses at several business schools, such as INSEAD and IESE. His professional career has mainly focused on the banking sector. In particular, he was CEO at Finanzia Banco de Crédito, S.A. and BBVA E-Commerce, and he has also held the positions of assistant general manager at BBVA and regional director of BBVA for the Basque Country and Cantabria, all within the BBVA Group.

In addition, he has ties to the university sector: he was Chancellor of the Universidad de Deusto from 2007 to 2012. He has been a board member at companies such as Norpension, S.A., Solium, S.A., Terra Network, S.A., Mobipay Internacional, S.A., Portal Gas Natural, S.A. and Hotelnet B2B, S.A., among others. He is currently a member of the board of trustees at Caja de Ahorros de Vitoria y Álava-Araba eta Gasteizko Aurrezki Kutxa Fundación Bancaria, representing the regional government of Alava.

- **Robert Samuelson** (1964, Bradford, UK) has a Master's Degree in natural sciences from the University of Cambridge and an MBA from the Cranfield School of Management. Robert Samuelson started his career in the field of industry and engineering with British Aerospace and Royal Ordnance. He later worked as a consultant for Arthur D Little Ltd., leading the corporate finance branch at the professional services firm, where he advised companies in the telecommunications industry.

In 2000 he joined the Virgin Group where he held several posts. In particular, he held the position of strategic executive director for Virgin Media, Inc. He was also head of corporate development at Virgin Management Limited and executive director at Telecoms & Media, which belongs to Virgin Management Limited. He was in charge of creating new lines of business at Virgin and directing the company towards the mobile telecommunications field in Canada, USA, France and South Africa; in 2001 he created the US company Virgin Mobile USA, LLC.

In January 2015 he set up Zegona Communications PLC, where he was head of operations and executive director.

Robert Samuelson is also a member of the Board of Directors at Virgin Mobile Canada, Virgin Mobile France and Virgin Mobile South Africa. In addition, he is



also part of the Virgin Group's Strategy Committee, a body in charge of putting forward new investment and corporate transaction alternatives.

- **Jon James** (1969, Edinburgh-Scotland) has a degree in economics and history from the University of Cambridge.

Jon James' first professional roles came in the fields of technology, multimedia and telecommunications, where he held executive positions in different UK companies in this sector. In 2007, he joined Virgin Media, where he was head of strategy and TV.

Following 7 years at Virgin Media, he joined Com Hem in 2014, which is Sweden's main cable operator. Here he was head of operations in charge of residential business, heading up a quick transformation in the business' operational and financial performance based on considerable improvements in customer experience, branding and product marketing.

Since 2017, James has been CEO of Tele2 Netherland.

Corporate governance and social responsibility

The Group's chairman focused a large part of his speech on corporate governance and social responsibility. In his speech to shareholders, Alberto García Erauzkin mentioned the Group's actions and commitments regarding corporate social responsibility, which have resulted in an interconnection between Basque and Galician societies through partnership opportunities, sponsorship, coaching and sharing concerns with all stakeholder groups (associations, NGOs, government bodies and institutions, etc.).

To show that CSR is linked to the company model, in May 2016 the Group's (Euskaltel and R) corporate social responsibility policy was approved, *“aiming to create value for stakeholders, whilst maintaining our mission and vision, continuing our commitment to local issues, transparency, management excellence, corporate governance, respect for human rights, gender equality and opportunities for all, the alignment between our suppliers and CSR policies and the responsible payment of taxes”*.

In 2016 the Group's 2016-18 CSR Framework was also approved, the aim of which is to add value to all stakeholders through different lines of action and to strengthen the company's transparency. This plan also responds to the Group's commitment to the United Nations' Global Compact, following the principles set out in the agreement and supporting the Sustainable Development Objectives (SDO) through the lines of action in the CSR framework.

The social value generated by Euskaltel in 2016 was €318 million

In this area of corporate social responsibility, the chairman emphasised that, together with UPV-EHU and Universidad de Deusto, Euskaltel has carried out the first study on a company based on the GEAccounting model so as to understand the value generated by a business in the territory beyond its financial results.

Based on this study, the social value generated by Euskaltel in 2016 was €318.1 million, relating to the value generated by the organisation for society as a whole, including the value created by the company through its own business activity and also the value distributed outside the market.

The study also monetized the company's emotional value, which was €25.7 million. This emotional value reflects the feelings that customers and Basque society have towards the Euskaltel brand.

Furthermore, in 2016 Euskaltel paid around €100 million in taxes to the Basque tax authorities. Alberto García Erauzkin stressed that the objective is also to enhance R's and Telecable's activities to consolidate the Group's annual value.

Since their creation, Euskaltel and R have made purchases for over €3 billion from local suppliers in the Basque Country and Galicia and have contributed over €1.3 billion in taxes, which has a direct, positive impact on the Basque and Galician communities, reflected in social services, education, health, infrastructures and sporting and cultural activities.

In the last ten years, the group has invested over €140 million in R&D&i. The Euskaltel group employs 542 professionals, with an average age of around 44, indirectly providing 3,500 jobs in the Basque Country and Galicia.

Environmental commitment - “Erronka Garbia”

Euskaltel's General Shareholders' Meeting has been held for the first time using the “Erronka Garbia” certificate awarded by IHOBE (the public environmental management company for the regional Basque government).

This means that the General Shareholders' Meeting was organised on the basis of environmental sustainability factors so as to minimise any negative environmental impact.

In the months prior to the meeting, the Euskaltel Group has worked to hire local suppliers committed to environmental issues, energy efficiency measures have been taken, sustainable transport was encouraged for those attending the general meeting and recyclable and reusable materials were used.

The “Erronka Garbia” certificate guarantees that environmental measures have been taken into consideration in the design and organisation of an event so as to minimise its negative environmental impact. Introducing sustainability as a criterion when defining, organising and carrying out an event has a positive effect, not just on its environmental impact, but also on the social and economic impact it generates.

This certificate responds to the Euskaltel Group's commitment to its surroundings and environmental protection. This is also shown in the company's integrated management system policy, through which the company is committed to protecting the environment, preventing pollution and rolling out policies to reduce the environmental impact of its activities and promoting environmental best practice. In addition, the environment is one of the key points within the Group's 2016-18 CSR plan.

Euskaltel – Communication Department
94-4011229

comunicacion@euskaltel.com



ERRONKA GARBIA
ENVIRONMENTALLY SUSTAINABLE EVENT