



Q3 2017 results

The Group maintains its lead position in the mobile phone and pay TV segments

The Euskaltel Group grows 3.2% having completed its consolidation of cable services in northern Spain

- *Two months after the integration of Telecable, the Euskaltel Group registers revenue of €444 million in the first nine months of 2017 compared to €430.4 million in the previous year.*
- *Accumulated EBITDA in Q3 reaches €219.3 million, up 4.7% on last year. The EBITDA margin improves from 48.7% in the third quarter of 2016 to its current 49.4%.*
- *Operating cash flow amounts to €149 million, up 4.8% compared to the previous year, with a revenues margin of 33.5% which sets a benchmark for the industry.*
- *Despite the highly competitive environment, the Group's residential segment revenue increases 17.5% compared to the previous year. The business segment grows 5.9% in one year.*
- *Spain's leading telecommunications group in the north hits all-time penetration records in broadband customers (84.7%), mobile phones (76.1%) and pay TV customers (67.7%).*
- *The Group consolidates its leading position in the mobile phone segment, adding 161,000 new lines in one year to reach a total of 915,000 mobile lines.*
- *The Group gains 127,000 new pay TV customers, up to 394,000, thanks mainly to the high value TV services offering and the launch of Android TV which is the first in Spain to use the new 4K decoder. Since September, 10,000 new decoders have been activated.*
- *High value products based on service bundling are on the rise: 68% of customers now contract 3 or 4 services, compared to 65.2% one year ago.*

- ***As at 30 September 2017, each customer contracts an average 3.5 products.***
- ***On 26 July, the Euskaltel Group completed its consolidation of convergent cable operators in northern Spain, acquiring Telecable, the leading operator in Asturias, thus creating the leading telecommunications group in the north of Spain. From August on, the Group's reported data include the results of the Asturian company.***
- ***Euskaltel will continue to invest in the roll-out of Docsis 3.1. technology, which already covers 50% of the Basque Country network. Plans to roll out this technology in Galicia and Asturias are already under way.***
- ***At the same time, the Group is also investing in expansion plans, in the roll-out of the 4K decoder among its customer base and in internal transformation and digitalisation processes.***
- ***The Euskaltel Group's Board of Directors has unanimously agreed to pay out an interim dividend of €22.7 million, matching the amount paid out in 2017 of €0.127 per share. The payment date will be 1 February 2018.***
- ***The final dividend to be paid against 2017 results will be determined at the General Shareholders' Meeting to be held in 2018.***
- ***Results from the first nine months of 2017 have been particularly affected by extraordinary items amounting to €16.7 million, relating mainly to the costs of acquiring Telecable and the rate for funding the Spanish radio and TV broadcasting corporation (CRTVE).***
- ***Net profit adjusted for the aforementioned impact would therefore stand at €49.7 million at 30 September 2017, compared to €44.9 million in September 2016, a 10.7% increase on last year.***

Bilbao, 27 October 2017. The Euskaltel Group, which completed its consolidation of convergent cable operators in northern Spain on 26 July by acquiring Telecable, the leading operator in Asturias, and thus creating the leading convergent operator in the north of the country, has today presented its results for the third quarter of 2017, including Telecable's results for August and September in the Group's information for the first time.

At 30 September 2017, two months after the integration of Telecable in the Group, which also comprises Euskaltel and R, the Euskaltel Group has recorded revenue growth of 3.2%, standing at €444 million compared to €430.4 million the previous year. Despite strong competition in the industry, revenue in the residential and business segments is up 17.55% and 5.9%, respectively, compared to last year.

161,000 new mobile lines and 127,000 new Pay TV customers

As in previous quarters, this growth is based on the outstanding performance of the business' key segments: high value mobile phone and pay TV products. The Euskaltel Group, including Telecable, has consolidated its leading position in the

mobile phone segment with 21.3% growth compared to the previous year, adding 161,000 new lines in the last year to reach a total of 915,000 mobile lines, compared to 754,000 in September 2016.

Euskaltel's high value pay TV product offering has grown 47.5%. This improved positioning in the pay TV segment is a specific result of the high value offering of TV features and the launch of the new 4K decoder with Android TV, which is the first of its kind in Spain. Since September, 10,000 new, state-of-the-art decoders have been activated among the Group's customer base. TV penetration reaches around 68% of customers. In total, the Group has a base of 394,000 pay TV customers, compared to 267,000 in 2016, representing 127,000 new customers in one year.

Strong performance in the take-up of high value products and services in the residential segment in particular has led to record penetration rates across the different business lines. The Group strengthens its lead in broadband with penetration of around 85% among its customer base, in mobile phones with a penetration rate of 76.1% and in pay TV with penetration of 67.7%.

As a result of the company's strategy to offer convergent, high value products and services, the take-up of high value products based on our service bundling has increased significantly: in total, 68% of customers contract 3 or 4 services, compared to 65.2% one year ago.

Consequently, the number of products contracted per customer is up, at an average of 3.5 products per user at 30 September 2017.

Strong cash generation

During the first nine months of 2017, and thanks to our effective cost management, the Euskaltel Group's EBITDA stands at €219.3 million, up 4.7% on the previous year. The EBITDA margin improves from 48.7% in the third quarter of 2016 to its current 49.4%.

The Euskaltel Group continues to post profitability margins that are industry benchmarks. The Group's operating cash flow rises to €149 million, up 4.8% compared to the previous year, with a remarkable revenues margin for the industry, at 33.5%.

As in the first six months of the year, it is important to note that results from the first nine months of 2017 have been particularly affected by extraordinary items amounting to €16.7 million, relating mainly to the costs of acquiring Telecable and the rate for funding the Spanish radio and TV broadcasting corporation (CRTVE).

The Euskaltel Group's net profit at 30 September 2017, adjusted for the aforementioned impact, would therefore be €49.7 million, compared to €44.9 million in September 2016, a 10.7% increase on last year.

Looking forward to the coming months and in line with the investment policy adopted to date, the Group will continue to invest in modernising the quality and capacity of its network with the roll-out of Docsis 3.1. technology, which already covers 50% of the Basque Country network. Furthermore, the Group has announced that plans to roll out this technology in Galicia and Asturias are already under way.

Interim dividend, as in 2016

The Euskaltel Group's Board of Directors has also unanimously agreed to pay out an interim dividend of €22.7 million, matching the amount paid out in 2017 of €0.127 per share. The payment date will be 1 February 2018.

The final dividend to be paid against 2017 results will be determined at the General Shareholders' Meeting to be held in 2018.

Assessment by the Euskaltel Group's CEO

In his assessment of the results posted in the first nine months of 2017, Francisco Arteche, the Euskaltel Group's CEO, emphasised the completed consolidation of convergent cable operators in northern Spain following the integration of Telecable, the leading operator in Asturias, led by the Euskaltel Group *"to create a solid growth platform for the future"*.

Arteche highlighted *"the Group's solid financials and strength in a highly competitive industry"*, reflected in growth in revenue and EBITDA and in the Group's cash generating capacity *"which position Euskaltel as a market leader"*.

The Euskaltel Group's CEO paid special attention to the company's positive progress, as *"in under three years, we've more than doubled the main business indicators: revenue, EBITDA and cash flow"*.

The Euskaltel Group's CEO stated that strong performance in the business' key segments —pay TV and mobile phones— is the foundation on which the company's positive progress will be built, as *"this is a result of the strategy to offer convergent products and services and the launch of new high value offerings to our customers in both the residential and business segments. Consequently, we've consolidated our position in terms of residential revenue and we're beginning to see the first results in the business segment, which will be reflected in the coming quarters"*.

Furthermore, he stressed that *"our leading status is down to the solid reach of our brand in the three regions we operate in —the Basque Country, Galicia and Asturias— and to our high value product offering, making us leaders in service bundling"*.

In his presentation to investors and analysts, Francisco Arteche mentioned that the dividend payout announced today *"maintains our commitment to add investor value and to maximise shareholder reward, whilst focusing on our deleveraging objective"*.

of reducing debt levels generated by corporate growth to best fit our capital structure. Our ability to once again pay out dividends to our shareholders reflects the Group's strength, its positive financials and capacity to generate cash and reduce debt".

Arteche reiterated that *"in just two years, the Euskaltel Group has instigated historic milestones for the company, including its flotation on the stock exchange and the creation of the leading telecommunications operator in northern Spain by acquiring the main operators in Galicia and Asturias".*

Finally, Arteche made reference to the agreement with Orange to jointly share and roll out fibre optic networks, confirming that this agreement *"will enable the Euskaltel Group to expand into neighbouring regions and provide services to companies and specific consumer groups throughout Spain, speeding up the deployment of FTTH networks to companies based on an efficient investment policy in terms of opex and capex"*.

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