



Euskaltel Group Results - 1Q 2017

Strong business performance with record penetration levels in Broadband (84.5%), Mobile phones (78.6%) and Pay TV (58.5%) products.

The Euskaltel Group raises cash flow 5% to €45 million and posts a net profit of €13.2 million in the first quarter

- *The Euskaltel Group continues to stand out for its great cash generating capacity, enabling it to hold on to profitability margins that are industry benchmarks, despite strong competition. Operating cash flow stood at €44.8 million, up 5.2% on the last quarter, which closed at €42.6 million.*
- *The Group maintains its sustained growth forecast announced for this year.*
- *The Euskaltel Group's revenue stood at €139.5 million with EBITDA at €68 million, improving the revenues margin to 48.8% and by 10 basis points compared to the previous year.*
- *The Group's cash conversion ratio stands at 65.8%, compared to 60.0% for the last quarter, thus maintaining its position as leader in comparison with Europe's strongest industry examples.*
- *This strong cash generating capacity has enabled the Group to pay out the announced dividend of €22.8 million and to reduce net financial debt last year by €135 million down to €1,218 million, improving the leverage ratio to 4.2x compared to 4.8x a year ago.*
- *Euskaltel and R customers have contracts for over 1.9 million products, an increase of 3.7% compared to the previous year.*
- *The ratio of Euskaltel and R customers on high added-value 3P and 4P contracts stands at 66.5%, compared to 64.3% the previous year.*
- *Mobile phones: over 53,000 new lines, up 7.4% to more than 774,000 lines. 78.6% of the Group's residential customers have at least one mobile phone with Euskaltel and R, compared to 74% a year ago.*

- ***Broadband contracts continue to grow, exceeding 396,000, which is 5,000 more than the previous year and puts penetration at 84.5%.***
- ***There are 4,100 more new Pay TV customers than at the end of the previous year, with 275,000 customers in total and penetration of 58.5%.***

Bilbao, 28 April 2017. The Euskaltel Group has today presented its results for the first quarter of 2017. The period shows strong performance in the residential segment, record penetration rates in the key areas of Broadband (84.5%), Mobile phones (78.6%) and Pay TV (58.5%) and a larger base of customers on high added-value 3P and 4P contracts, with a figure of 66.5% compared to 64.3% the previous year.

In the first quarter of 2017, the Euskaltel Group's revenue stood at €139.5 million. EBITDA has risen to €68 million, improving the revenues margin to 48.8% and by 10 basis points compared to the previous year.

As in previous quarters, the Euskaltel Group continues to stand out for its great cash generating capacity, enabling it to hold on to profitability margins that are industry benchmarks, despite strong competition. Operating cash flow stood at €44.8 million, up 5.2% on the last quarter, which closed at €42.6 million. The Group's cash conversion ratio represents 32.1% of revenue and 65.8% of EBITDA, compared to 60.0% for the last quarter, thus maintaining its position as leader in comparison with Europe's strongest industry examples.

This strong cash generating capacity has enabled the Group to pay the announced dividend of €0.15 per share, amounting to a total cash payment of €22.8 million (a complementary dividend of €0.21 per share will also be paid once approved by the General Shareholders' Meeting), and to reduce net financial debt by €135 million a year down to €1,218 million, improving the leverage ratio to 4.2x from 4.8x a year ago.

Free cash flow in the first quarter of 2017 rose to €28.6 million compared to €19.5 million the previous year, representing 47% growth.

The net result in the first quarter was €13.2 million, down on the €14.6 million recorded in the first quarter of the previous year due to less business in the large business segment as a result result of losing the Basque Government as a large business customer.

Record penetration rates in Mobile phones, Pay TV and Broadband

The Group's business strategy of offering new and existing customer bases convergent bundles of high added-value products continues to produce sustained growth in the contracting of high value products. Euskaltel and R customers have contracts for over 1.9 million products, an increase of 3.7% compared to the previous year.

The first quarter in 2017 has highlighted the Group's strength in the residential market, particularly in key segments - Mobile phones, Pay TV and Broadband -, where there are record penetration rates among customer bases.

The Group's commercial strategy has generated over 53,000 new mobile phone lines, an increase of 7.4% and more than 774,000 lines in total. 78.6% of the Group's residential customers currently have at least one mobile phone with Euskaltel and R, compared to 74% a year ago. This quarter has seen all R mobile phone customers

successfully migrate to the new host and R now has 440,000 mobile lines with 4G and 4G+ network coverage.

Similarly, new Pay TV customers are up 4,100 compared to figures for the end of the previous year, with a total of 275,000 customers and penetration of 58.5%.

Broadband contracts among Euskaltel and R customers show the highest penetration rate at 84.5%. The contracting of broadband products has continued to grow in the first quarter of 2017, exceeding 396,000, which is 5,000 more than the previous year.

This strategy of contracting convergent bundles of high added-value products continues to produce sustained growth among customers with high value 3P and 4P contracts, standing at 66.5%, compared to 64.3% the previous year.

In the Business market, the SOHO segment continues to perform well with revenue growth of 1% up to €17.5 million and ongoing penetration growth for 3P and 4P packages up from 49.9% in the first quarter of 2016 to 55.3% in the same period of 2017.

Despite this, the company's Business market total revenue in the first quarter stands at €39 million, compared to €42 million the previous year, as a result of a drop in the large business segment mainly due to the loss of the Basque Government contract. This has impacted on the Group's total revenue, which drops 1.6% year-on-year and stands at €139.5 million at the end of this first quarter compared to €141.8 million in the first quarter of last year, despite 1.2% growth in the residential segment - €92.5 million in 1Q 2017 compared to €91.3 million a year ago -, and 1% growth in the SOHO segment.

Assessment by the Euskaltel Group's CEO

The Euskaltel Group's CEO, Francisco Arteche, has emphasised *“a solid business with record penetration levels in key products - mobile phones, pay TV and broadband -, as a result of the successful strategy to offer convergent products and maximum added-value services, and also the Group's financial strength shown through its strong cash generating capacity and, as a result, the creation of value for our shareholders and the distributing of dividends”*.

Francisco Arteche stressed Euskaltel's role as an innovative company, revealing some of the initiatives the Group expects to launch on to the market in the coming months. These include the launch, in May, of a new 4K Android-based decoder and a new series of services available for new and existing customers who want to improve their experience; network modernisation with the deployment of DOCSIS 3.1, which already covers 24% of the network in the Basque County; and the launch of new innovative service packages aimed at SMEs and a communication campaign for companies that is being launched this Friday in the Basque Country.

In his assessment, the CEO indicated that the Group has successfully manoeuvred a particularly difficult quarter with strong competition in the industry, emphasising that *“we stand by our previous estimates and objective for the year, meaning higher revenues and a greater EBITDA margin than last year. Our aim is to position our company to increase value growth and we therefore stand by the sustained growth forecasts announced for this year”*, stressed Arteche.

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