

The General Meeting has given the green light to the proposed application of the Group's results and dividend payout

The Euskaltel Group's general meeting approves the financial statements and endorses the company's management and strategy

- *The Euskaltel Group's AGM is held in its Derio headquarters and approves all the agenda items.*
- *The General Meeting has approved the Financial Statements for 2017, which reflect 8.6% revenue growth, a 9.4% rise in ebitda and a 7.3% increase in cash flow, together with an excellent 31.8% revenue margin.*
- *In less than three years, the Group has more than doubled its financial highlights: revenue, ebitda and cash flow, showing a sound financial situation in an industry marked by fierce service and price competition.*
- *The final dividend approved by the AGM today is 27.8 euro cents per share, entailing a 3.9% return on the average share price for the last month of 2017 and a 100% payout of net profit.*
- *The company has completed a strategic corporate transaction to acquire Telecable while the integration of Euskaltel and R continues.*
- *Francisco Arteché: "our strategy is designed to boost our commitment and values: proximity, innovation, dynamism and honesty, including the launch of initiatives that have helped to turn a commercial relationship into a positive experience for customers".*
- *Alberto García Erauzkin "all this company's decisions, from large corporate transactions to our daily activities, are taken to meet the expectations of our stakeholders: shareholders, customers, society and the people that work on this project".*

Derio, 1 June 2018. The Euskaltel Group's shareholders approved by a broad majority (99% of votes) last year's financial statements, management report and the other proposals on the agenda of the General Meeting held this morning at the Company's headquarters in Derio (Bizkaia).

The General Meeting also approved the proposed application of the Euskaltel Group's results and dividend payout for the year ended 31 December 2017. A dividend of 27.8 euro cents per share will finally be paid to the shareholders, following the Board's approval today. The dividend totals Euros 49.6 million, entailing a yield of 3.9% on the average share price for the final month of 2017, equivalent to a payout of 100% of net profit.

In October 2017, Euskaltel's Board of Directors agreed to pay an interim dividend against 2017 results for a gross amount of Euros 0.127 per share, amounting to Euros 22.7 million, which was paid out on 1 February 2018.

Accordingly, the Board of Directors later agreed to ask the Annual General Meeting to approve a supplementary dividend of Euros 0.151 per share, totalling Euros 26.9 million, which will be paid out on the date to be agreed at the Board meeting to be held immediately after the General Meeting.

Backing for management

In his speech to shareholders, the Euskaltel Group's Chairman, Alberto García Erauzkin, highlighted the approval of all the proposals put to the General Meeting because they clearly ratify and support the management of the Group's affairs and strategy in the past year. *"I want you to know that the entire team (both management and the rest of the company's professionals) is totally involved in achieving our Strategic Plan objectives and committed to maintaining the company's growth and generating value for our stakeholders and customers. We will also observe the values that have guided us all these years and have made us the leading telecom operator in the north of Spain"*.

Alberto García Erauzkin thanked all the attendees, *"both those that, here and from different parts of the world far from the Group's headquarters, are with us, forming part of this project that began over 20 years ago, contributing to our continued growth and making us stronger ever day"*.

When summarising the year, Alberto García Erauzkin pointed out some of the milestones that have marked an intense period for the Euskaltel Group. *"We have completed a corporate deal (acquisition of Telecable) at the same time as the integration of Euskaltel and R"*. In his opinion, the main achievements in 2017 were *"the consolidation of our market leadership in the north of Spain; our work to protect the value of our business in the Basque Country, Galicia and Asturias markets; the start of our expansion through new products and services, and into new geographic markets, while maintaining our disciplined use of resources to consolidate a cash flow level that is a reference in the industry. We have honoured our commitment to maximise shareholder remuneration and we will continue to reduce leverage until we reach the optimum levels of between three and four times ebitda announced to the market"*.

Approval of the financial statements

The Annual General Meeting has approved the Euskaltel Group's financial statements, as a further step in its development as a convergent operator that leads the market in northern

Spain, following the addition of Telecable in 2017. The integration of Euskaltel, R and Telecable has consolidated the Group's growth in revenue, customers and profitability. The year ended with 8.6% revenue growth, a 9.4% rise in ebitda and a 7.3% increase in cash flow, together with an excellent 31.8% revenue margin.

“These data show that, in less than three years, we have more than doubled our main business figures: revenue, ebitda and cash flow, as proof of the Group’s financial solidity and robustness in an industry marked by fierce competition in services and prices”, explained Francisco Arteché, the Group’s CEO, who also highlighted the considerable level of cash generation.

These results can be attributed to the Group's successful commercial strategy, centred on a net increase in new high-value customers and convergent products and services. At present, 68% of the Group's customers have contracted 3 or 4 products and over 2.3 million products have been sold, 21% up on one year ago, and nearly 3 million including the corporate segment.

By business, the Group ended 2017 with 151,000 new mobile lines, 127,000 new pay TV customers and 94,000 new broadband products contracted.

Initiatives launched

The CEO pointed out that 2017 and 2018 *“are transformation years in which we must become a much more competitive telecom operator”*. Beyond financial and operating data, Francisco Arteché listed milestones that reflect the company's progress in 2017.

Besides the Telecable integration, *“our strategy during the year has been designed to boost our commitment and values: proximity, innovation, dynamism and honesty, including the launch of initiatives that have helped to turn a commercial relationship into a positive experience for customers”*.

Some examples of these initiatives launched in 2017 are:

- **The new 4k quality Android TV decoder.** This device provides an absolutely distinctive TV user experience, combining the classic audiovisual world with the Internet world, Euskaltel being Spain's first operator to offer this service.
- As regards ICT, a **strategic agreement has been reached with Microsoft** that will allow the Group to become a **leading player in the digital transformation** of companies and institutions, enriching its commercial offering while undertaking its own internal digitalisation process. The agreement has led Euskaltel to take part in the digitalisation of 35,000 Basque Government workstations.
- As regards OTT, thanks to an agreement signed with **Netflix** in November 2017, TV customers can enjoy Netflix content directly through the Deco 4K. This agreement includes a new **exclusive button** in Euskaltel's remote control enabling viewers to access Netflix content directly, **as the first operator to do so in Spain.**
- **Connected home services**, as the first step to surround customers with a self-management experience.

- The Group is involved in an important **network upgrade** to become a European leader in the technological shift to the **Docsis 3.1.** standard, so as to offer the largest broadband connection capacity with speeds of 1 Gbs.
- With respect to enterprise and innovation, as part of the commitment to develop local economies, the projects **StartUps Euskaltel** and **StartUps R** have been launched to provide 100 startups in the Basque Country and Galicia with advanced telecom and IT services.
- As an example of the Group's commitment to **promote employment and attract young talent**, more than **20 new graduates** have already been hired.

“To get these initiatives going, we have adapted the organisation to create a corporate structure and three business units in the Basque Country, Galicia and Asturias, which allows us to generate efficiencies and sell unified products and services in each of the three markets. Internally, we have combined our systems in a single architecture in order to bring together processes across the business, including significant improvements in quality and efficiency”, explained the Group's CEO.

Strategic outlook

To summarise in a single idea the key to the Euskaltel Group's activities in 2017, Alberto García Erauzkin assured that *“all this company's decisions, from large corporate operations to our daily activities, are taken to meet the expectations of our stakeholders: shareholders, customers, society and the people that work on this project”*.

In order to fulfil this commitment, he explained that a strategy has been defined *“through which we aim to offer an excellent shareholder return and a distinctive service to our customers, with the help of the best human team, without losing sight of our social commitment to local communities”*.

“As a result, he added, our business is now more valuable and more diversified, generating shareholder returns and considerable social value”.

Society

During his speech, the Euskaltel Group's Chairman expressed pride because *“we generate over 4,200 indirect jobs in the Basque Country, Galicia and Asturias through suppliers and strategic partnerships to create value with other industry companies. Besides promoting local employment, we also focus on jobs for young people through close cooperation with universities and education centres, so as to develop digital talent in young people and encourage their inclusion in the job market”*.

In line with this social commitment, the Group collaborates with over 50 social organisations supporting various groups in the local community through new technologies and, together with the Euskaltel Konekta foundation, numerous outreach projects and new technologies, learning and social technology have been deployed.

This has all been promoted by a Social Responsibility Plan that clearly supports the Group's strategy while fomenting actions that create economic, social and environmental value. This plan is also a response to the company's commitment to the United Nations Global Compact and the Sustainable Development Goals.

Looking to 2018

Francisco Arteché views 2017 and the start of 2018 positively. *“Our results show that we have begun to see the fruit of the work and actions implemented in recent months, in terms of both commercial and organisational integration. We are convinced that the transformation we announced to the market, which is in progress, will make us a much more competitive operator”.*

Taking stock of the first few months of 2018, *“the trend that began in 2017 for a net increase in residential customers has been confirmed. It is important to note that data for April and May show a positive trend in this segment, while corporate customers have grown for the second quarter running. The expansion plan in Navarre is also progressing as expected and we expect to reach 1000 customers in June”.*

“Euskaltel, R and Telecable customers have now contracted close to 3 million products. Products are being taken up at a good pace, which is the result of a successful bundling strategy and a convergent offering of high added-value products that is highly appreciated and welcomed by our customers as a distinctive proposal”.

He ended by saying that *“the market is still particularly competitive and it is very important to keep up the pace in our plans and commercial efforts. We must keep growing in net new customers and in the corporate segment while expanding the business. That is our goal and we are working on it, applying the strategy defined by the Company and honouring our commitments to the market: leadership, growth inside and outside our traditional markets, and a prominent role in the digital transformation of households, companies and institutions; in short, contributing to the digital evolution of our society”.*

General Meeting. ‘Erronka Garbia’

In the area of environmental sustainability, initiatives relating to respect and care for the environment were also addressed during the General Meeting, *“because we understand that a company’s function does not end with the achievement of brilliant results and it must cooperate and be committed in all respects to the growth of its local community and of society so as to more than return the trust placed in us”*, said the Group’s Chairman. For these reasons, among many other social responsibility actions implemented by the company, the organisation of this Annual General Meeting was certified for the second year running under the ‘Erronka Garbia’ environmental sustainability standard created by the Basque Government.

Indeed, last year’s General Meeting, organised in accordance with this environmental sustainability and protection standard to minimise the potential adverse impacts of the event on the environment, led to the company’s involvement in a forest restoration project in the Urdaibai Biosphere Reserve, thereby contributing a grain of sand to the important task of caring for the environment carried out by social and institutional agents.

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