



The Board of Directors has proposed a final dividend of 27.8 euro cents per share to be approved by the General Shareholders' Meeting

The Euskaltel Group grows by 8.6% following northern cable consolidation

The unification of Euskaltel, R and Telecable consolidates Group growth in income, clients and profits

- ***An income of some 622.2 million euro as compared with 572.9 in FY 2016.***
- ***Gross operating profit (EBITDA) at 306.9 million euro, spelling out a 9.4% increase in comparison with FY 2016. Revenue margin grows to 49.3%, increasing 35 basis points as compared with the previous year.***
- ***Operational Cash Flow rises to 198.1 million euro, representing a 7.3% growth over the previous financial year with a sector benchmark income margin of 31.8%.***
- ***The Euskaltel Board of Directors has proposed to distribute a final dividend of 27.8 euro cents per share among the shareholders, charged to the 2017 income based on the FY net profit, to be approved by the General Shareholders' Meeting.***
- ***This dividend of 0.278 euro per share spells out a 3.9% profitability over the average quoted price of the last month in 2017 and is equivalent to a 100% consolidated net profit payout.***
- ***The business strategy is based on packaging and the convergent offer of maximum added-value products. Clients subscribe an average of 3.5 products per user.***
- ***As a result of this strategy, the 3- and 4-product client portfolio accounts for 68% of all customers, when penetration in terms of these high-added-value clients at the end of 2016 was 67%.***
- ***Despite the demanding competitive environment, income from the residential segment has increased 11.6% with respect to 2016. In the business segment, it grew by 2.4%, showing a positive change of tendency at the end of the last quarter as a result of the measures implemented during the year – a tendency that has persisted throughout the first months of 2018.***



- ***The Group consolidates its leadership in the mobile telephone segment, adding 151,000 new lines a year until it hit 915,000 mobile lines – a 20% growth.***
- ***Subscription TV has grown by 124,000 customers – 45.5%, until it a 394,000 total, a growth fundamentally based on a proposal of value TV and the launching of the new Deco 4K with Android TV, the first in the country. 36,000 new decoders have been activated since September.***
- ***Broadband products grew by 23.8%, to reach 489,000, a difference of 94,000 over the FY 2016 closing figure.***
- ***Following the operation to integrate Telecable, the debt ratio has remained at 4.5 times EBITDA.***
- ***The 2017 income has been particularly affected by extraordinary expenses in the amount of 20.2 million euro – 16.7 million after taxes – basically by way of costs related to the Telecable purchase, the financial expenses of CRTVE and the integration process turning the Group into a single platform operating under three different brands.***
- ***Hence, the Euskaltel Group adjusted net profit for 2017 owing to such impact – not counting extraordinary expenses – would have amounted to 66.3 million euro.***

Bilbao, 28 February 2018. The Euskaltel Group, which, last 26 July, capped the consolidation of Spanish north country cable operators by integrating Telecable, the top operator in Asturias – thus creating the leading convergence operator in the north of Spain – presented its financial results for FY 2017 this morning, reflecting a solid growth of 8.6% in its income, and reaching a turnover of 622.2 million euro at FY closing, as against the 572.9 million posted in 2016.

Despite the demanding competitive environment, income from the residential segment increased by 11.6% as compared with 2016. In the corporate segment, it grew by 2.4%, showing a positive change of tendency at the end of the 2017 last quarter. The last three months of the business year posted the best results in income, with a record penetration in all products as a result of the measures implemented during the year – a tendency that has persisted throughout the first months of 2018.

This growth was based on following the Group commercial strategy, focused on increasing the net number of mass market added-value clients by recruiting new subscribers to the convergent packages in high-added-value 3P and 4P and maximizing the value of the client base life cycle.

As a result of the company's convergent strategy, the 3- and 4-product client portfolio now amounts to 68% of the total client base, when penetration for these high-added-value clients at the end of 2016 represented 67%.

The success of this strategy was also seen in the excellent behaviour of subscription to the operators' products and services, which grew by 151,000 new mobile phone lines in 2017 (an



increase of 20%), paid TV services, with 124,000 new subscribers (a growth of 45.5%), and 94,000 new installations in broadband product subscription (a 23.8% increase).

Stable growth and high cash income

This positive evolution in the business has resulted in stable growth for operating income. Gross operating profit (EBITDA) is at 306.9 million euro, 9.4% higher than in the previous financial year. The profit margin climbed up to 49.3%, growing 35 basis points over the figure posted the year before, and showing the success of operational cost management and the efficiency measures implemented during the preceding years.

Operational cash flow – the difference between EBITDA and investments – amounts to 198.1 million euro, representing a 7.3% growth, with an income margin of 31.8%, which is a benchmark in the sector, fundamentally a consequence of availing of a proprietary new-generation optic fibre network and the operators' business strategy, which enables it to concentrate its investments on maintaining and acquiring clients.

It may be underscored that the 2017 results were particularly affected by extraordinary expenses in the amount of 20.2 million euro – 16.7 million after taxes – fundamentally accounted for by the costs related to the Telecable purchase, the financial expenses of CRTVE, and the integration process to turn the Group into a single platform operating under three different brands.

Hence, the Euskaltel Group net profit for FY 2017, adjusted in the light of this impact, would have amounted to 66.3 million euro without considering extraordinary expenses.

Proposal for a final dividend of 27.8 euro cents per share

On another front, the Euskaltel Group Board of Directors has proposed to distribute a final dividend of 27.8 euro cents per share to shareholders, to be charged to the 2017 income based on the FY net profit, which must be approved by the next General Shareholders' Meeting.

This 0.278-euro dividend per share spells out a per-share profitability of 3.9% over the average quoted price during the last month of 2017, the sum of the 0.127-euro-per-share dividend to account approved by the Board of Directors last October, liquidated on 1 February 2018, and the additional dividend of 0.151 euro per share proposed by the Board of Directors for the approval of the next General Shareholders' Meeting.

2.3 million products subscribed in Basque, Galician and Asturian homes

In the financial year ending on 31 December 2017, the Euskaltel Group continued to pursue the strategy of offering maximum added-value convergent packages to both the existing client base and new clients.

There has thus been a marked increase in the volume of products subscribed – 433,000 new products – exceeding the 2.3 million products commercialised in Basque, Galician and Asturian homes, 21% higher in one year when compared with the 1.9 million products catalogued at the close of 2016.

151,000 new mobile lines and 124,000 new pay TV clients

As in the previous quarters, this growth was based on the excellent behaviour of the key business segments: mobile and pay TV high-added-value products. The Euskaltel Group has consolidated its leadership in the mobile phone segment with a growth of 20% in relation to the previous year, adding 151,000 new lines in the last year to serve a total of 915,000 mobile lines, as against 763,000 in FY 2016.

On its end, the Euskaltel pay TV added-value product has seen a growth of 45.5%. This positioning improvement in pay TV was particularly based on the high-added-value services of TV functions and the launching of the new Deco 4K with Android TV, the first offer of this kind in Spain. Since September last year, over 36,000 new latest-generation decoders have been activated among the Group client base. All in all, the Group has a base of 394,000 pay TV clients, as against 270,000 in the previous year: i.e., 124,000 more clients in one year.

Broadband products subscribed grew by 94,000, to reach 489,000, an increase of 23.8% with respect to the preceding year.

The positive developments in added-value product and service subscriptions, particularly in the residential segment, have resulted in optimum penetration ratios. Product penetration among clients increases: 85% have broadband, 77% have mobiles and almost 70% have pay TV.

As a result of the convergent strategy in added-value products and services that the company pursues, the subscription of high-added-value products based on service packaging has grown considerably: in total, 68% of clients have 3 or 4 services subscribed, as against 67% a year ago.

Consequently, the number of products subscribed per client is strengthened, and has reached an average of 3.5 products per user as of 31 December 2017.

As was announced to the market, in 2017, the Group continued to modernise the quality and capacity of its network, focusing on upgrading the Docsis 3.0 network standard to DOCSIS 3.1., which it expects to finish in 2018. The plans to deploy this Technology in Galicia and Asturias are now in progress. This improvement will make it possible to offer clients more speed and more products and services. Indeed, in 2017, the client base enjoying speeds higher than 200 Mbps has doubled.

TV was also one of the main objectives throughout the year. Last July saw the market launching of Deco 4K, the new Android-TV-based STB, and the most advanced available on the market today, enabling users to enjoy a differential experience when viewing TV. Moreover, an agreement reached with Netflix illustrates the Group objective of establishing alliances with technological partners that will enable it to propose competitive offers to clients.

Expansion: Euskaltel expects to reach 2.7 million homes for 2022

As it already announced to its shareholders last year, the Euskaltel Group – which consolidated the leading convergent telecommunications group in the north of Spain in 2017 with Telecable, the leading operator in Asturias, joining the Group along with Euskaltel and R – faces an



expansion that will cover Navarra, León, Cantabria and La Rioja, northern regions and provinces bordering the natural markets of the three operators.

Thus, the Group will be in a position to offer its services to a market of 7.6 million residents – 6 million in Euskadi, Galicia and Asturias, plus 1.6 million in Navarra, León, Cantabria and La Rioja, adding over 500,000 new homes as potential clients.

The Group expansion strategy works with two strategic thrusts. First, it is expanding its network coverage in the areas that still have no access to its service in the natural markets where it conducts its activity – i.e., Euskadi, Galicia and Asturias – purporting to add 80,000 new homes and 6,200 new companies in these three territories to the coverage of its fibre network by deploying its own FTTH services.

A Presence in Navarra: A first point of sale and sponsorship for Osasuna

Its other thrust covers expansion into the neighbouring territories. The execution of this expansion plan is made possible by the agreement reached between the Euskaltel Group and Orange, which will allow the Group to use the FTTH networks it has deployed in these areas. The new agreement reached will enable both pooling in houses under shared construction and the use of the Orange network for access by way of service wholesaling.

Although the term for plan execution is five years, implementation has already begun with the Euskaltel expansion to Navarra. The Group plan to deploy the Euskaltel presence in Navarra so that its residents can access advanced Euskaltel products and services in landlines, maximum-capacity broadband and pay TV, in addition to mobile telephony, has already begun in Ansoain, and will spread next to the capital, Pamplona.

This very day, 28 February 2018, Ansoain will open the first Euskaltel Group point of sale in Navarra. Precisely to reinforce its brand, launch merchandising in Navarra and showcase the Euskaltel commitment to the territories where it renders its services, the Group signed a 3-year sponsorship agreement with the Osasuna Athletic Club, which will bear the company logo on its uniforms throughout the rest of the season. Other Euskaltel measures to support the Club aim at basic sports promotion and youth education in the human values of sports. The 'Rojillo' women's team will follow suit in upcoming campaigns.



Sobre el Grupo Euskaltel

Euskaltel is the leading convergent telecommunications group in the north of Spain. It upholds a strong commitment to, and is deeply rooted in the Basque Country, Galicia and Asturias, markets where it conducts its activity through the operators Euskaltel, R and Telecable.

The Euskaltel Group has a team of 705 human resources and creates over 4,200 indirect job posts in Euskadi, Galicia and Asturias. It offers its services to a market of 6 million people, attending to close on 800,000 residential clients and companies and rendering 2.4 million services a day. It is a leader in optic fibre (broadband, telephony, pay TV and convergent telecommunications services), with the most widespread WiFi network in Euskadi, Galicia and Asturias, and more than 436,000 access points. It is a mobile operator with its own 4G permit and deploys its own network thanks to an LTE permit.

As a telecom operator, it bases the sustainability of its project on its persons and its social commitment. Its orientation to clients and suppliers, its policy of Good Governance, responsible environmental management, social action, customer care in the language s/he chooses and, in general, excellence in management, are the thrusts that power its activity.

The Euskaltel Group conducts numerous activities in the social and institutional spheres through collaborations aligned with its strategy, so as to continue being an approachable, committed company with a clear calling to be present in the technological developments of the markets it serves: Euskadi, Galicia and Asturias.

To this end, it collaborates in its public-private innovation programmes as a supplier of communication solutions and services and works in different fields, with an eye to the creation of a cross-cutting ecosystem covering youth education in the new digital skills, collaboration in digital entrepreneurship programmes promoted by the government to enrich its value proposal to the markets through solutions for companies and persons in fields such as the digital home, cybersecurity, health-related remote monitoring, big data, IoT, smart cities, etc.

Euskaltel – Communications

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