



3Q 2016 results

The Euskaltel group grew 76.1% from  
January to September 2016

## **The Euskaltel group posts a net profit of €44.9 million for the first nine months of 2016**

*The Euskaltel group consolidates its growth in revenue, customers and results*

- *Revenue for the Euskaltel group –comprising Euskaltel and R– stands at €430.4 million in the third quarter of 2016, compared to €244.4 million in the third quarter of 2015, up 76.1%.*
- *EBITDA stands at €209.5 million, a 79.6% increase compared to the same period last year when this figure was €116.7 million. The profit margin was 48.7%, compared to 47.7% for the third quarter of 2015.*
- *Adjusted Operating Cash Flow stood at €142.1 million, compared to €88.1 million for the same period in 2015, up 61.3%. Euskaltel continues to be the European leader in terms of the cash conversion ratio (67.8%).*
- *The net result in the first nine months of 2016 was €44.9 million, compared to €3.3 million for the third quarter of 2015, due to the extraordinary costs incurred as a result of the company's IPO.*
- *Euskaltel's Board of Directors has unanimously agreed to pay an interim dividend against 2016 results of €0.15, which amounts to a gross figure of €22.77 million.*
- *The Company upholds the dividend distribution policy announced in its IPO prospectus and in its capital increase prospectus (as part of the acquisition of R), which involves paying an ordinary dividend based on each year's net profit after applicable statutory requirements (10% of net profit allocated to the legal reserve).*

- ***The final dividend to be paid against 2016 results will be determined at the General Shareholders' Meeting to be held during the first half of 2017.***

**Bilbao, 27 October 2016.** The Euskaltel group has today presented its 3Q 2016 results. Consolidated data for the first nine months since the incorporation of Galicia's leading operator, R, show growth in revenue, customers and profitability, with a net profit of €44.9 million, €48.3 million up on the same period last year, which ended with losses of €3.3 million due to the extraordinary costs incurred during the company's IPO.

In the third quarter of the year, Euskaltel's revenue stood at €430.4 million, compared to €244.4 million in the third quarter of 2015, up 76.1%. If R's revenue in the same period is included in the comparison, the group's growth stood at 2.2%. This result was mainly based on the 4.4% increase in the residential segment and confirms the commercial strategy implemented by the Company in recent years for the residential and SOHO segments, which focuses on attracting new customers in the high value 3P and 4P packages and on maximising the life cycle value of the existing customer base.

This development shows strong growth in the operating results, with EBITDA standing at €209.5 million, compared to €116.7 million in the previous year, up 79.6%. When Euskaltel's and R's EBITDA for the first nine months of 2016 are added together, the group's EBITDA increased by 5.7%. The profit margin increased to 48.7%, compared to 47.7% for the third quarter of 2015.

2015 was an historic year for Euskaltel with its IPO and the subsequent integration of R, Galicia's leading operator, thus creating northern Spain's benchmark operator. Yesterday the Company announced the first payment of dividends to shareholders as a listed company, following its flotation on the Spanish stock market on 1 July 2015. At yesterday's meeting, Euskaltel's Board of Directors unanimously agreed to pay an interim dividend against 2016 results for a maximum gross amount of €22.77 million, i.e. €0.15 per share.

The Company upholds the dividend distribution policy announced in its IPO prospectus and in its capital increase prospectus (as part of the acquisition of R), which involves paying an ordinary dividend based on each year's net profit after applicable statutory requirements (10% of net profit allocated to the legal reserve).

The final dividend to be paid against 2016 results will be determined at the General Shareholders' Meeting to be held during the first half of 2017.

Euskaltel's CEO, Francisco Arteche, will publicly present the 3Q 2016 results this afternoon at 4.00pm via conference call.

### ***Solid growth and strong cash generation***

Adjusted Operating Cash Flow rose to €142.1 million, compared to €88.1 million in the same period of 2015, up 61.3%. Euskaltel continues to be the European leader in terms of the cash conversion ratio (67.8%). This improved cash flow conversion is mainly the result of having its own next generation fibre optic network and the operator's business strategy, which allows it to concentrate its capital investments on maintenance and in customer acquisition.

Net financial debt at the end of September 2016 has been reduced to €1,271 million, which means a leverage ratio of 4.4 Debt/EBITDA, compared to 5.1 at 2015 year end. According to the company's estimates, and taking into account its significant cash generation capacity, Euskaltel expects to end 2016 with a debt/EBITDA ratio of under 4.3, at approximately €1,240 million.

### ***549,000 household customers and 1.88 million contracted products***

When the Group's current business operating data are compared with the total of R's and Euskaltel's business as at 30 September 2015, the Euskaltel Group shows a turning point and a **change in trend** in terms of the sector's development in recent years, with growth in residential customers.

In total, the Euskaltel group ended the first nine months of 2016 with **548,945 residential customers**, 0.2% up on the second half of the year, continuing the growth trend already seen in the first quarter of the year, with an extraordinary increase in the contracting of mobile and Pay TV products.

The total of residential customer products stood at **1.88 million**, which reflects an increase of **71,981 new products** between January and September 2016.

At the same time, and thanks to the company's convergent strategy, **the contracting of high value products based on service packaging has considerably increased: 65.2% contract 3 and 4 product services**, compared to 62.1% in the same period the previous year.

### ***74,000 new mobile lines and 24,500 new Pay TV products***

The first nine months of 2016 ended with **growth of 74,000 new mobile telephone lines, which is up 10.8%** on the same period in 2015, thus consolidating its leadership in this segment. Particularly noteworthy is the **mobile penetration rate record** in those first nine months of 2016, as **76.2% of the Euskaltel group's customers have a contract for at least one mobile phone with the operator.**

Strong growth in the residential segment has also been driven by an **increase in the group's Pay TV customer base, which grew by 24,500 new lines, 10.1% up on the third quarter of 2015.** It should also be noted that **steady growth in TV customers has been recorded among our customer base, accounting for 55% of the total in the third quarter of 2016, compared to 49% a year ago.**

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