



2016 first half results

The Euskaltel group grew 76.9% in the first six months of 2016

## The Euskaltel group posts a net profit of EUR 30.2 million for the first half

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

- *In the first half of 2016, Euskaltel Group revenue stood at EUR 286 million, compared to 161.7 million in the first half of 2015, thus posting growth of 76.9%.*
- *Operating results showed strong growth, with an EBITDA up to EUR 139.3 million, compared to EUR 76 million in the first six months of the previous year, which meant growth of 83.3%. The profit margin was 48.7%, compared to 47% for the first half of 2015.*
- *Strong cash conversion. The adjusted Operating Cash Flow stood at EUR 93.7 million, compared to 57.7 million in the previous year, meaning growth of 62.2%. Euskaltel is the European leader in terms of the cash conversion ratio (67.2%), when the best examples of the sector on the European market are around 60%.*
- *The net result in the first half of the year was EUR 30.2 million, compared to EUR -18.4 million for the first half of the previous year – due to the costs incurred from the flotation on the Stock Exchange -, meaning it is up EUR 48.6 million.*

Bilbao, 28 July 2016. Euskaltel, for which 2015 was a historic year with its flotation on the Stock Exchange and the subsequent integration of the leading operator of Galicia, R, thus creating the benchmark operator in northern Spain, today released its results for the first half of 2016. It is the time that the group has posted first-half consolidated data since its integration and it shows growth in revenue, customers and profitability, with a net profit of EUR 30.2 million, EUR 48.2 million up on the

first six months of the previous year, which ended with losses of EUR 18.4 million, due to the costs incurred from the flotation on the Stock Exchange.

In the first half of the year, Euskaltel Group revenue stood at EUR 286 million, compared to 161.7 million in the first half of 2015, which means growth of 76.9%. If the revenue of R in the same period is included in the comparison, the growth of the group stood at 2.3%. This result was mainly based on the 4.8% increase recorded in the residential segment and is conformation of the commercial strategy 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 value of the life cycle of the existing customer base.

This evolution has helped to achieve strong growth in the operating results, with an EBITDA up to EUR 139.3 million, compared to EUR 76 million in the first six months of the previous year, which meant growth of 83.3%. The group's EBITDA increased 7.9% when the EBITDA of Euskaltel and R for the first six months of 2016 are added together. The profit margin was 48.7%, compared to 47% for the first half of 2015.

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

The adjusted Operating Cash Flow stood at EUR 93.7 million, compared to 57.7 million for the same period of the previous year, meaning growth of 62.2%. Euskaltel thus retains its position as the European leader in terms of cash conversion ratio (67.2%), when the best examples of the sector on the European market are at around 60%. This better cash flow conversion is mainly due to the result of its own next generation fibre optic network and to the business strategy of the operator which allows it to concentrate its capital investments on maintenance and in customer acquisition.

The net financial debt at the end of the first half of 2016 had been reduced to EUR 1,307 million, which means a leverage ratio of 4.7 Debt/EBITDA, compared to 5.1 at 2015 year end. According to the company's estimates, and taking into account Euskaltel's important cash generation capacity, the operator hopes to end 2016 with a debt/EBITDA ratio of under 4.5, which would put it in a position to embark on the shareholder dividend distribution policy from 2017 onwards.

### ***548,000 household customers and 1.86 million contracted products***

When the Group's current business operating data are compared to the sum of the R and Euskaltel businesses for the first half of 2015, the Euskaltel Group shows a turning point and a change in trend in the sector in recent of years, with growth in residential customers.

**In total, the Euskaltel group ended the first half of 2016 with 548,000 residential customers, 0.5% up on the same period of the previous year, continuing the line of growth 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 1.86 million, which means an increase of 59,000 new products between January and June 2016.

At the same time, special mention should be made of the large increase recorded in the contracting of high value products by new customers, 82% of whom contract 3 and 4 product services.

## 90,000 new mobile lines and 27,000 new Pay TV products

The first half of 2016 ended with **growth of 90,000 new mobile telephone lines, which is up 13.7%** on the same date of the previous year, thus consolidating its leadership in this segment. In this regard, particularly noteworthy is the **record of the mobile penetration rate** in those first six months of 2016, as **76% of the Euskaltel Group's customers have at least one mobile phone contracted** with the operator.

The strength of growth in the residential segment has also been driven by the increase in the group's Pay TV customer base, which grew by 27,000 new lines, 11.2% up on the first half of 2015. It should also be noted that **steady growth has been recorded in TV customers in our customer base, accounting for 54% of the total** in the first half of 2016, compared to 47% a year ago.

The group's TV strategy is based on an offer of high value services of the TV features (nPVR, VoD, Star-over) and of Premium contents (Canal+Series and Canal+Estrenos), which have increased consumption and customer satisfaction.

### *Churn rate down and contracting 3 and 4 products down*

The group's competitive strength is reflected in the customer loyalty: **the churn rate fell from 14.8% at the end of 2015 to 14.1%** at the end of June 2016, the direct consequence of the mobility services strategies implemented and, mainly, of the strategies focused on offering high value convergent services adapted to the need of each customer segment.

Thanks to the company's convergent strategy, **the contracting of high value products based on service packaging has considerably increased: 65.2% of the Euskaltel group's total customers have 3 or more contracted services**, compared to 61.2% in the first half of 2015.

Consequently, **the products contracted per customer have also increased from 3.2 in the first half of 2015 to 3.4 in June 2016.**

As regards the corporate segment, special mention should be made of the Business segment (SOHO), which accounted for 40% of the company's total revenue, which experienced strong growth of 3.2% in the last year in keeping with the residential segment.

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